

ARCHDIOCESE BENEFITS COMMITTEE
Rev. Fr. Costas Pavlakos, Chairman

JANUARY 2015 NEWSLETTER

Dear Participants of the Archdiocese Benefits Program:

We wish all of you a healthy and happy new year. This is the first issue of a newsletter that will be sent to you periodically. The purpose of these newsletters is to keep you informed of the various benefits available to the participants of the Archdiocese Benefits Program.

As Orthodox Christians, we are called to trust in the Lord for all our needs, both human and spiritual. We know, however, that we must do our share. For the spiritual "security" of our souls, we must pray, fast, confess, and live a Christ-like life. For the physical "security" of our lives, we must institute a pension, life insurance, medical, and disability programs, among other things. To address these temporal needs, the Archdiocese Benefits Committee (ABC) was established to direct and manage these types of programs for our clergy and lay employees.

In order to receive benefits from the program, you must be an active participant of the Pension Plan. There are some who do not participate and, therefore, jeopardize the well-being of their families. If you are a member of the clergy, received this letter, and are not a participant of the Plan, please contact the ABC office at 212-570-3535 to rectify this situation. Most of us made a written commitment to actively participate in the pension program as part of our ordination application.

Below are highlights of the various benefits available to active pension plan participants:

ANCILLARY INSURANCE BENEFITS

1. **Life Insurance.** Two times pensionable earnings, up to a \$150,000 maximum. At age 65, it becomes \$50,000 and \$25,000 at 70. There is NO benefit if not participating in the pension plan.
2. **Long-Term Disability Insurance.** 60% of pensionable earnings, up to \$5,000 per month after a 6 month elimination period to age 65. There is NO benefit if not participating in the pension plan.
3. **Accidental Death and Dismemberment Insurance.** Flat \$200,000. There is NO benefit if not participating in the pension plan.
4. **Business Travel Accident Insurance.** Five times pensionable earnings, up to \$300,000, for accidental death that occurs while traveling on Church related business, with spousal coverage of \$50,000, if traveling with her husband. There is NO benefit if not participating in the pension plan.
5. **Foreign Travel Insurance.** Please contact GDC Financial, at 203-367-4070, prior to scheduled foreign travel.
6. **Confidential Assistance Program.** This confidential counseling and referral service, which reports a utilization rate of just under 2%, provides assistance to clergy and their families in dealing with stress, grief, marital difficulties, substance abuse, legal and financial information and resources, relocation services, home repair, car purchases, and the like.
7. **Supplemental Coverages.** Also available, on a voluntary basis, are: supplementary life insurance (91 currently covered, 87 GOA, 54 spouses and 26 dependents) and a long-term care insurance program, (although Aetna has not accepted new enrollments in its long-term care insurance program after June 30, 2013).

PENSION PLAN

The pension is based on the Remuneration Verification Form, which is mailed to the ABC office. It is important to have an accurate declaration of salary and pensionable earnings (housing allowance, social security reimbursements) because this not only determines one's pension but also is used to calculate supplemental coverages/benefits listed above.

In addition, each parish contributes a \$600 monthly Archdiocese Benefits Contribution for each clergyman assigned to the parish regardless if they are members of the pension plan. This contribution is expected even if a parish is without a priest for any given period of time. We need your help with this! There are parishes in each metropolis that do not contribute the \$600. This loss of income and potential interest puts our pension in a very serious shortfall. We are making every effort to correct this matter by doing the following:

1. Each metropolis representative has a list of delinquent parishes.
2. Each representative has met, or will meet, with their Metropolitan to collect monies owed or take non-functioning parishes off the list.
3. The Holy Eparchial Synod will be requested to make appropriate arrangements so that if any Metropolitan assigns a clergyman to a parish that cannot pay the monthly \$600 contribution other financial arrangements will be made to receive this money into the Benefits Office.
4. We are now billing each parish and the Archdiocese monthly for the \$600 contribution.
5. We have collected about \$200,000 so far and hope to collect the \$2.5 million that is owed by parishes.
6. The Benefits Office has begun to receive payments that the Archdiocese was in arrears for enrolled employees. Grant Thornton, C.P.A. has calculated that the Benefits Program is owed \$2,603,035. The total amount due from 2006-2014 was \$5,205,494. During that time period (including recent payments), the Archdiocese paid in \$2,902,079. The total due on December 31, 2014 was \$2,303,415. We have a commitment from Archbishop Demetrios that the remainder of the funds due from the Archdiocese, plus interest, will be received by the 2016 Clergy Laity Congress.

Please read below for more pension information:

- On 12/31/13 the value of the Pension Plan was \$53,309,908. The value of the fund as of 10/31/14 remains virtually unchanged, at \$53,935,187. Due to the recent performance of our investments, the fund is significantly higher than it was on 12/31/12, \$47,945,196. However, we cannot expect that our investments will perform in the same way in the future.
- Of the \$53,935,187 in the Fund as of 10/31/14, 11.7% is invested in fixed income; 49.8% is invested in domestic equities; 27.1% is invested in international equities; and 11.4% is in other (mostly cash) accounts, in order to cover Pension Plan obligations.
- Parish and participants' contributions, 12/31/2013 through 9/30/14 totaled \$3,886,387. Distributions for the same period were \$5,957,288, resulting in a shortfall of \$2,070,901. The 2014 shortfall was essentially covered by the performance of our investments in 2013 and 2014.
- The total number of participants as of 9/30/14 is 993. Of these, 594 are active; 352 are receiving benefits, and 47 are not active, but with vested benefits (i.e., they have been members for at least 5 years)
- Active participants by age are: Under 30: 15; 30-39: 82; 40-59: 151; 50-59: 196; Over 60: 150. Clearly, the Pension Plan needs an enrollment of younger participants, as the average age of active participants is 51.4 years. There are 263 benefits recipients, who are receiving pensions, and 92 beneficiaries. Their combined average age is 78.8.
- Presently, \$16,400 is the average annual pension. Of course, those with longer service, who are also contributing 5%, may earn more for their pension benefit.
- The Pension Plan is currently funded at 58.3%, as the accumulated Plan benefit liability is \$92,315,647 as of 1/1/2014. This means that, were the Plan to pay all the pensions it owes, as of 1/1/2014, it would only be able to cover 58.3% of its obligations. The Plan needs to be better funded.
- In order to be fully funded, as of 1/1/2014, the Plan is in need of an additional \$39,005,738. A number of steps are being taken to address the underfunding. Recently, the Benefits Committee took out a blanket term life insurance policy, which returns to the Pension Plan \$50,000 per participant upon the participant's demise. The Pension Plan life insurance benefit of \$50,000 (whose beneficiary is the Pension Plan) covers all clergy who were active as of January 1, 2014, regardless of their age.
- The ABC will be submitting a request for a grant from a supporter of the Pension Plan.
- Also being proposed is the establishment of a line item in the budget of the Archdiocese. The line item could be at least \$1 million, for the first year. This topic has been broached with our Metropolitans, with a view to bringing this matter to the Holy Eparchial Synod as well as to the Finance Committee of the Archdiocese. This is a highly sensitive matter. It should be considered in tandem with the additional items we are looking at,

especially if the Pension Plan participants increase their contributions without receiving additional accrual benefits, something that is being discussed to help the financial stability of the Pension Plan.

- Among the reasons given for not participating upon becoming eligible (i.e., receiving pensionable earnings) is the perception that one can do better on one's own. The fact is that a Plan participant, at age 65, who invests \$100,000 in an annuity at that time, will receive an annuity of about \$540 a month, whereas that same \$100,000, paid into the Pension Plan over one's years of service, could result in a defined benefit pension of about \$4,000 or so. It is in everyone's financial best interests to: 1) participate in the Pension Plan, 2) participate in Social Security, 3) participate in a separate 403 (b) plan, and 4) have additional assets, such as real estate, a savings account, etc. Our Pension Plan, together with Social Security, was originally designed to pay about 60% of one's pensionable earnings. Owning a 403 (b) plan and additional assets can bring retirement earnings closer to 100%. Continuing to work beyond the age of 70 can also help bring retirement earnings closer to 100%, as accrued pension benefits are automatically paid at age 70. (Currently, at age 70, contributions to the Pension Plan cease.)

HEALTH PLAN HIGHLIGHTS

- Discussions with Aetna are ongoing, and while we are bracing for projected cost increases associated with the renewal of our health plan in May 2015, we are determined to do everything possible to see how we can get the premiums reduced.
- No matter what, we are experience-rated and premiums are calculated accordingly. For example, in August 2014, alone, we had a single claim that will likely exceed \$1 million. The ABC Insurance Plans Committee is in agreement that we cannot sustain any additional increases in premiums. Currently, our premium for single participants is \$1,325, up from \$1,043 a year ago. For families, it is \$2,415, up from \$2,188 a year ago. For retirees who have a Medicare supplement plan and have no impact on the Orthodox Health Plan, the premiums are \$458 for single participants and \$915 for families, up from \$454 and \$908, respectively. The premiums have been subsidized by credits we have earned from Aetna over the years, but these credits are running out.
- Currently, our deductibles are \$1,500 single, \$3,000 family (in Network) and \$2,000 single, \$4,000 family (out of Network). Our out-of-pocket maximum is \$3,500 single and \$7,000 family (in Network) and \$4,500 single, \$9,000 family (out of Network). All co-pays, including co-pays for prescription medication, apply to out of pocket maximums.
- In order not to increase premiums, we will be considering, among other things: 1) additional plan designs and 2) higher deductibles. This may be a good thing, as we currently do not shop around for services. The underutilization of Aetna Navigator is telling.
- We tasked the Insurance Committee to look into:
 - 1) Regional plans.
 - 2) Health Reimbursement Arrangements. HRAs would have us shopping around for services, but they could create a surplus if we shop wisely. There are no co-pays with HRAs. Rather, one pays a percentage of services received. For example, under our current plan, 100% of a visit to a physician is covered, after our co-pay of \$30 (or \$45 for a specialist). With an HRA, we could end up paying 10%, 20% or more, depending upon the plan selected. Different deductibles could also be factored in. However, annual physical exams would remain without a copay or deductible.
 - 3) Offering more than one plan.
 - 4) Adding a "husband and wife" option (no children), in addition to family and single plans.
- The total number enrolled in the Aetna Plan is 525.
- A vision discount is currently included in our insurance. Beginning in 2015, a yearly eye exam will be included.

I know that, with the start of the New Year, we are all extremely busy. I will try to put together a more informative newsletter in the coming months. If you have any suggestions for ways the ABC can better serve you, please contact me at fcostas@stkchurch.com.

The list of Metropolis and Lay Staff Representatives is on the next page. Please contact them if you have any questions.

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