

PROPOSED STATUTE AMENDMENT
Pension Plan

20TH ALL-AMERICAN COUNCIL
Baltimore, MD – July 18-22, 2022

Background and Rationale

According to the Statute of the Orthodox Church in America, the Pension Plan “is a retirement plan established and mandated by the Church for all eligible clergy and lay employees. The assets of the Pension Plan constitute property held in trust for beneficiaries of the Pension Plan and are not assets of The Orthodox Church in America (Article III, Section 16).” Further, the Plan is governed by a Board established by the All-American Council, with members elected to either 3- or 6-year terms at each All-American Council. The Board reports on the status of the Plan at each All-American Council triennially and to the Metropolitan Council at least annually.

In late 2020, His Beatitude Metropolitan Tikhon asked Andrew Smith, Treasurer of the Orthodox Church in America, to help him understand the Pension Plan in light of questions that had arisen from different quarters within the church. Mr. Smith chaired an *ad hoc* committee which, through a good working relationship with the Pension Board and administration, produced a report for His Beatitude in mid-April 2021. His Beatitude subsequently authorized the release of this report to the Holy Synod and the Metropolitan Council. According to the report, the Plan has experienced a decline in funding status in recent years and faces challenges in three primary areas: plan structure, demographics, and investment performance.

The Metropolitan Council discussed this report and its conclusions extensively at a Special Summer 2021 Session and at its regular Fall 2021 Session. It has further authorized the consultation of an outside expert, Cheiron, Inc., to refine its understanding of the Plan and, perhaps more importantly, to help determine what steps are needed to improve the Plan going forward. A report from Cheiron is forthcoming.

The Metropolitan Council appointed a subcommittee among its members to continue reviewing the Pension Plan. This subcommittee has met routinely through late 2021 and early 2022. Among its observations are:

- The communication between the Metropolitan Council and the Pension Board in recent years has been inconsistent, with not all of the relevant information provided at times, and the format for the required information needs to be formalized;
- The Pension Board has, in the past, seen the need to make changes to the Plan (e.g., employer contribution rate increases), but did not propose the changes because of a sense that the changes would be unpalatable to the Metropolitan Council and the Church;
- There are two key categories of constituent of the Pension Plan (identified based on the requirement that they contribute to the Plan): Plan members and Employers;
- There is a sense that plan members and employers feel that they are not represented;
- The Plan and the Pension Board would benefit, particularly as it pertains to making key Plan changes, if each key category of constituent had direct representation on the Board; and,
- The macro-economic environment (broadly) and the defined benefit sector (specifically) are experiencing increasing instability. The Pension Plan, through its Board and the Board’s relationship to the Metropolitan Council and OCA Administration, needs the foundation and

support to act swiftly and adeptly in response to the prevailing environment.

The Pension Subcommittee sees an opportunity to address these challenges by amending the OCA Statute in two key ways:

1. *Codify some of the basic expectations of the Pension Plan's regular reporting to the Metropolitan Council.*

The proposed revised language would require that the Pension Plan report at each semi-annual meeting of the Metropolitan Council and that the reporting would specifically include assets, liabilities, actuarial funding ratio, market value funding ratio, surplus / deficit, and plan participation. It would further grant the Metropolitan Council the authority to ask for additional information. The Pension Board would continue to report triennially to the All-American Council. The Audit Committee would also include the Pension Plan's financial statements in its annual review of OCA finances, in a manner similar to how it currently approaches Stavropegial institutions.

2. *Change the composition of the Pension Board to make for more direct representation of the key constituents, Plan participants and Employers.*

The OCA would hold an election among Pension Plan participants to fill three spots and one alternate on the Pension Board. The Metropolitan, with counsel from the OCA officers, would appoint (with endorsement by the Metropolitan Council and subsequent confirmation by the Holy Synod) persons to fill three spots and one alternate on the Pension Board. The six members (excluding alternates) would appoint a seventh to serve as chair.

These changes would impact the OCA Statute in a number of sections--primarily Article III, Section 16 (Pension Board), but also sections pertaining to the competence of the Holy Synod, the All-American Council, the Metropolitan, and the Metropolitan Council, as well as the role of the Auditing Committee.

The changes proposed would strictly preserve the separation of the Pension Plan and the OCA. The Statute would continue to unequivocally state that the assets of the plan are held in trust for the beneficiaries of the Plan and the Pension Board would continue to have its fiduciary duty to those beneficiaries. But, in the view of the Pension Subcommittee, these changes would foster a kind of confidence that comes from direct representation and provide a foundation to adeptly navigate a changing environment.

We anticipate that the findings and conclusions of the aforementioned Cheiron report will help craft future actions that pertain to specific provisions of the Plan; however, as these sorts of changes are outlined in the Plan document and governed by the Pension Board, we think they are not within the scope of the OCA Statute and potential revisions.

Article II, Section 5: Competence of the Holy Synod

Current:

- t. Appointment and supervision of departments, commissions, committees, offices, and boards of the Church;
- u. Confirmation of the Metropolitan's nomination of the Chancellor, Secretary, Treasurer, and other officers of the Church whose competence or service extend beyond the boundaries of a single Diocese;
- v. Determination in consultation with the Metropolitan Council of the dates, location, and theme of the All-American Council.

Proposed:

- t. Appointment and supervision of departments, commissions, committees, offices, and boards of the Church;
- u. Confirmation of the Metropolitan's nomination of the Chancellor, Secretary, Treasurer, and other officers of the Church whose competence or service extend beyond the boundaries of a single Diocese;
- v. Confirmation of the Metropolitan's nomination of Pension Board members;
- w. Determination in consultation with the Metropolitan Council of the dates, location, and theme of the All-American Council.

N.b.: the other items in the current Statute would remain the same in content following new v., but would be given new alphanumeric letters in order.

Article III, Section 4: Competence of the All-American Council

Proposed:

Remove bullet point *h. Elect Members of the Pension Board and alternates.*

N.b.: the other items in the current Statute would remain the same in content following the omission of h., but would be given new alphanumeric letters in order.

Article III, Section 16: Pension Board

Current:

Section 16: Pension Board

a. Definition

The Pension Board is an autonomous executive body, established by the All-American Council, that supervises administration of The Orthodox Church in America Pension Plan, which is a retirement plan established and mandated by the Church for all eligible clergy and lay employees. The assets of the Pension Plan constitute property held in trust for beneficiaries of the Pension Plan and are not assets of The Orthodox Church in America.

b. Composition

- i. The Board consists of seven (7) members. The Holy Synod appoints one bishop to membership on the Pension Board; the All-American Council elects the remaining members.
- ii. The Pension Board appoints one or more trustees from its membership.

c. Terms of Office

The bishop appointed to the Pension Board shall serve at the pleasure of the Holy Synod. The other members of the Pension Board are priests or deacons and laypersons in equal number, with relevant professional experience, elected as follows:

- i. At each All-American Council, if there are vacancies on the membership of the Pension Board to be filled by election by the All-American Council, the priest or deacon and the layperson who receive the highest number of votes are elected for a term from one All-American Council through the next two All-American Councils excluding any extraordinary All-American Council.
- ii. The priest or deacon and the layperson who receive the next highest number of votes are elected for a term from one All-American Council through the next All-American Council excluding any extraordinary All-American Council.
- iii. The All-American Council also elects two alternates, one priest or deacon and one layperson. The priest or deacon and the layperson who receive the next highest number of votes are elected as alternates for a term from one All-American Council through the next All-American Council excluding any extraordinary All-American Council.
- iv. An alternate shall fill a permanent vacancy on the Pension Board, complete the balance of the vacated term of the person whom he or she replaces, and assume all member duties and privileges relating to reelection.

Members of the Pension Board may continue to be eligible for re-election by the All-American Council.

d. Periodicity

The Pension Board shall meet quarterly, or as often as is necessary to accomplish effective, professional, and prudent administration.

e. Competence

The following matters are within the competence of the Pension Board. The Pension Board shall:

- i. Submit the Pension Plan and any proposed amendments to the Pension Plan to the Metropolitan Council for adoption;
- ii. Uphold the provisions of the Pension Plan as defined by the Plan Document and comply with United States Internal Revenue Service regulations and any other applicable regulations that qualify it for favorable tax-exempt status as a qualified pension plan;
- iii. Consult on a regular basis with professional investment, legal, actuarial, accounting and auditing providers, as it deems appropriate in order to evaluate plan provisions and capabilities, while securing the stability, financial security and viability of the Pension Plan, with a goal of providing optimum benefits for plan participants; and
- iv. Report to the All-American Council on the activities and status of the plan and each year to the Metropolitan Council.

Proposed:

Section 16: Pension Board

a. Definition

The Pension Board is an executive body, established by the All-American Council, that supervises administration of The Orthodox Church in America Pension Plan, which is a retirement plan established and mandated by the Church for all eligible clergy and lay employees. The assets of the Pension Plan constitute property held in trust for beneficiaries of the Pension Plan and are not assets of The Orthodox Church in America.

b. Composition

- i. The Board consists of seven (7) members. The Metropolitan, with the counsel of the officers of the Orthodox Church in America, shall appoint three (3) members; the plan participants elect three (3) members; These six (6) members appoint a seventh member to serve as chairperson.
 - ii. The Pension Board appoints one or more trustees from its membership.
- c. Terms of Office

The members of the Pension Board are priests or deacons and laypersons, with relevant professional experience, appointed or elected as follows:

- i. Within sixty (60) days of the conclusion of the 20th All-American Council, the Metropolitan, shall appoint, with the counsel of the officers of the Orthodox Church in America and the endorsement by the Metropolitan Council and subsequent confirmation by the Holy Synod, three (3) members and one (1) alternate who are not participants or beneficiaries in the Pension Plan. Two (2) shall be selected to serve until the next All-American Council excluding any extraordinary All-American Council (normally 3 years), while the third shall serve through the next All-American Council until the following All-American Council excluding any extraordinary All-American Council (normally 6 years).
- ii. Additionally, within sixty (60) days of the conclusion of the 20th All-American Council the Orthodox Church in America shall solicit nominations from, and hold an election by, Pension Plan members, who are participants or beneficiaries receiving benefits, to elect three (3) members and one (1) alternate from among their number. The member who receives the highest number of votes shall serve through the next All-American Council until the following All-American Council excluding any extraordinary All-American Council (normally 6 years). The remaining two members, elected with the second and third highest numbers of votes, shall serve until the following All-American Council (normally 3 years). The person receiving the fourth highest number of votes shall serve as an alternate.
- iii. The chairman, the seventh member elected by the other six (6) members, shall serve until the next All-American Council excluding any extraordinary All-American Council (normally 3 years).
- iv. For each All-American Council subsequent to the 20th All-American Council, vacancies shall be either appointed or elected (every three or six years, in accordance with paragraphs i. and ii., above) at least sixty (60) days prior to the convening of the Council. Such appointments and elections shall be announced at the All-American Council.
- v. An alternate shall fill a permanent vacancy on the Pension Board, complete

the balance of the vacated term of the person whom he or she replaces, and assume all member duties and privileges relating to re- election.

Members of the Pension Board may continue to be eligible for re-appointment or re-election.

d. Periodicity

The Pension Board shall meet quarterly, or as often as is necessary to accomplish effective, professional, and prudent administration.

e. Competence

The following matters are within the competence of the Pension Board. The Pension Board shall:

- i. Submit the Pension Plan and any proposed amendments to the Pension Plan to the Metropolitan Council for adoption;
- ii. Uphold the provisions of the Pension Plan as defined by the Plan Document and comply with United States Internal Revenue Service regulations and any other applicable regulations that qualify it for favorable tax-exempt status as a qualified pension plan;
- iii. Consult on a regular basis with professional investment, legal, actuarial, accounting and auditing providers, as it deems appropriate in order to evaluate plan provisions and capabilities, while securing the stability, financial security and viability of the Pension Plan, with a goal of providing optimum benefits for plan participants; and
- iv. Report to each All-American Council and to the Metropolitan Council at its regular semi-annual meetings on the activities and status of the plan, including financial details such as assets, liabilities, market value funding ratio, actuarial value funding ratio, surplus/deficit, plan participation, and other relevant information as requested by the Metropolitan Council.

Article IV, Section 2: Competence of the Metropolitan

Current:

- s. Nominate the Chancellor, Secretary, Treasurer, and any other officers of the Church for endorsement by the Metropolitan Council and subsequent confirmation by the Holy Synod;
- t. Supervise Church Officers and receive regular reports from them;
- u. Supervise and have pastoral care of Stavropegial Institutions;
- v. Supervise the ministry of military and institutional chaplaincies and act as the Church's ecclesiastical endorser of chaplains;
- w. Issue pastoral letters addressed to bishops, clergy, monastics, and laity of the Church; and
- x. Exercise pastoral care with the right of initiative and pastoral intervention in all matters concerning the life of the Church within the framework of the Sacred Canons.

Proposed:

- s. Nominate the Chancellor, Secretary, Treasurer, and any other officers of the Church for endorsement by the Metropolitan Council and subsequent confirmation by the Holy Synod;
- t. Nominate, with the counsel of the officers of the Orthodox Church in America, three (3) members of the Pension Board, for endorsement by the Metropolitan Council and subsequent confirmation by the Holy Synod.
- u. Supervise Church Officers and receive regular reports from them;
- v. Supervise and have pastoral care of Stavropegial Institutions;
- w. Supervise the ministry of military and institutional chaplaincies and act as the Church's ecclesiastical endorser of chaplains;
- x. Issue pastoral letters addressed to bishops, clergy, monastics, and laity of the Church; and
- y. Exercise pastoral care with the right of initiative and pastoral intervention in all matters concerning the life of the Church within the framework of the Sacred Canons.

Article III, Section 7: Competence of the Metropolitan Council

Current:

- d. Supervise and review the audit of all financial reports and records of the Church and see to their prompt and transparent publication;
- ...
- t. Adopt and amend the Pension Plan of The Orthodox Church in America upon recommendation of the Pension Board, in accordance with Article III, Section 1:6; and

Proposed:

- d. Supervise and review the audit of all financial reports and records of the Church, and see to their prompt and transparent publication;
- e. Supervise and review the audit of all financial reports and records of the Pension Plan, and see to their prompt and transparent publication;
- f. Supervise the collection of revenues as authorized by the All-American Council;
- ...
- l. Endorse for confirmation by the Holy Synod the Metropolitan's selection of the Chancellor, Secretary, Treasurer, and other officers of the Church whose competence or service extends beyond the boundaries of a single Diocese;
- m. Endorse for confirmation by the Holy Synod the Metropolitan's selection of the three (3) members of the Pension Board;
- n. Provide for publication and dissemination of materials for promoting the Orthodox Faith;
- ...
- t. Nominate and appoint members of the Auditing Committee and receive written reports from it in accordance with Article V, Section 9;
- u. Adopt and amend the Pension Plan of The Orthodox Church in America in consultation with the Pension Board, in accordance with Article III, Section 16, (paragraph e. i.); and
- v. Resolve disputes regarding the minutes of the All-American Council, as provided for in Article III, Section 1:2.

N.b.: The entire section following new e. would be given new alphanumeric letters in order.

Article III, Section 7: The Auditing Committee

Current:

An Auditing Committee, consisting of three persons with relevant professional experience, shall be appointed by the Metropolitan Council at its first meeting following adjournment of a normally convened All-American Council. Members of the Auditing Committee shall serve for a term from one All-American Council through the next, excluding any extraordinary meetings of the All-American Council. The Committee's duties shall be to audit all accounts of The Orthodox Church in America on an annual basis, to review the audited accounts of all Stavropegial Institutions on an annual basis and to present written reports to the Metropolitan Council. The Chair of the Auditing Committee shall attend sessions of the Metropolitan Council solely to make the Committee's reports. An Auditing Committee member may succeed himself/herself for one additional term, and may be removed only for cause by a two-thirds vote of the Metropolitan Council. Any vacancy in the Auditing Committee shall be filled in a timely fashion by the Metropolitan Council.

Proposed:

An Auditing Committee, consisting of three persons with relevant professional experience, shall be appointed by the Metropolitan Council at its first meeting following adjournment of a normally convened All-American Council. Members of the Auditing Committee shall serve for a term from one All-American Council through the next, excluding any extraordinary meetings of the All-American Council. The Committee's duties shall be to audit all accounts of The Orthodox Church in America on an annual basis, to review the audited financial statements of the Pension Plan and all Stavropegial Institutions on an annual basis and to present written reports to the Metropolitan Council. The Chair of the Auditing Committee shall attend sessions of the Metropolitan Council solely to make the Committee's reports. An Auditing Committee member may succeed himself/herself for one additional term, and may be removed only for cause by a two-thirds vote of the Metropolitan Council. Any vacancy in the Auditing Committee shall be filled in a timely fashion by the Metropolitan Council.