



Archdiocese of Baltimore

**Central Service Employee Meeting
November 8, 2010**



- ❑ Financial Review
- ❑ Study of Retirement Program
- ❑ Description of changes to Lay Retirement Programs
- ❑ Q&A

Major Financial Issues discussed in March



- ❑ Cash Flow – Burning cash approx \$2 million past several years – Cost Cutting Actions (Layoffs)
- ❑ Soaring Clergy Post-Retirement Medical expenses - Received special grant from J. Carroll Foundation to fill budget gap and implemented a series of cost control actions that became effective October 2010
- ❑ Underfunded Clergy Pension – Doubled funding requirements per priest
- ❑ Underfunded Lay Pension by \$150 million – Freeze plan and enhance 403(b) plan

Financial Statements Review ~ June 30, 2010

Overall surplus (deficit) results of consolidated



Overall Results Impacted by Market and Retirement Programs

	FY 2010	FY 2009	FY 2008
Central Services	\$ 6,140,500	\$ (26,952,900)	\$ (20,635,900)
Insurance Operations	5,803,600	(4,960,100)	(1,338,300)
Archbishop's Lenten Appeal	1,600	3,500	5,700
Child Nutrition Program	(181,600)	(146,600)	(93,300)
Catholic Community Foundation	3,822,800	(1,670,100)	283,900
Partners in Excellence	(160,800)	(600,900)	(666,300)
Totals	\$ 15,426,100	\$ (34,327,100)	\$ (22,444,200)

Major Factors to our Financial Picture



Factor	Area most impacted	How it affect us
Economy	<ol style="list-style-type: none"> 1. Investments <ol style="list-style-type: none"> a) Retirement Trusts b) Endowments 2. Offertory Results 	<ol style="list-style-type: none"> 1. Net wealth/Credit Rating <ul style="list-style-type: none"> • Unrealized changes in Market value • Retirement plan funding 2. Cathedraticum/Cash Flow/Credit Rating
Interest Rates	Investment Income	Cash flow/Net Wealth/Credit Rating
Parish & School Viability	<ol style="list-style-type: none"> 1. Grants 2. Bad Debt 	<ol style="list-style-type: none"> 1. Cash Flow/Net Wealth/Credit Rating 2. Cash Flow/Net Wealth/Credit Rating

Major Factors to our Financial Picture

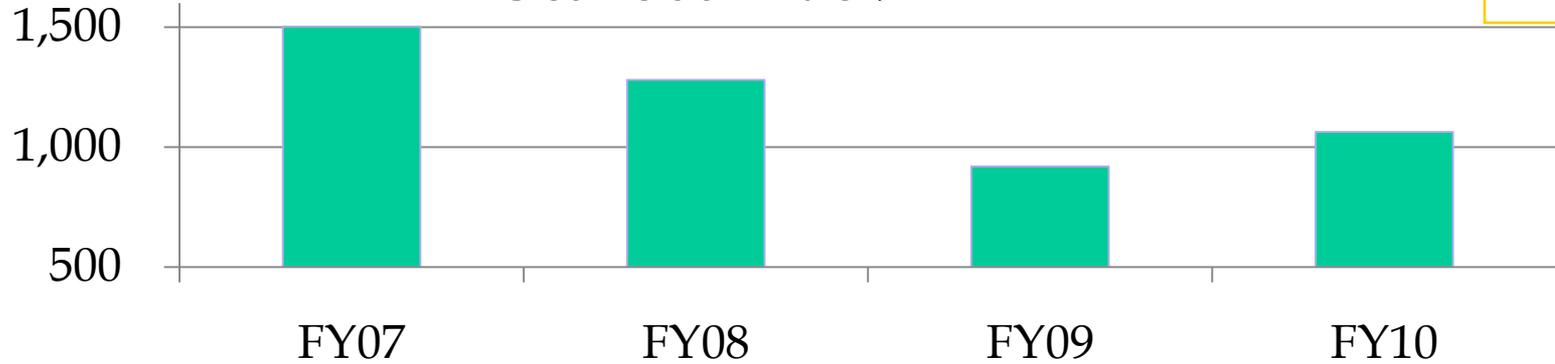


Factor	Area most impacted	Management Actions
Economy	1. Investments	A. Hired new Investment Consultants B. Hired new Investment Fund Mgrs C. Reviewed retirement plans <ul style="list-style-type: none"> a) Benchmarked b) Assessed funding needs c) Implemented changes
	2. Offertory Results	Budget reductions
Interest Rates	Investment Income	Budget Reduction
Parish & School Viability	1. Grants 2. Bad Debt	1. Budget Reduction 2. Consolidation/Budget Reduction/Higher Premiums

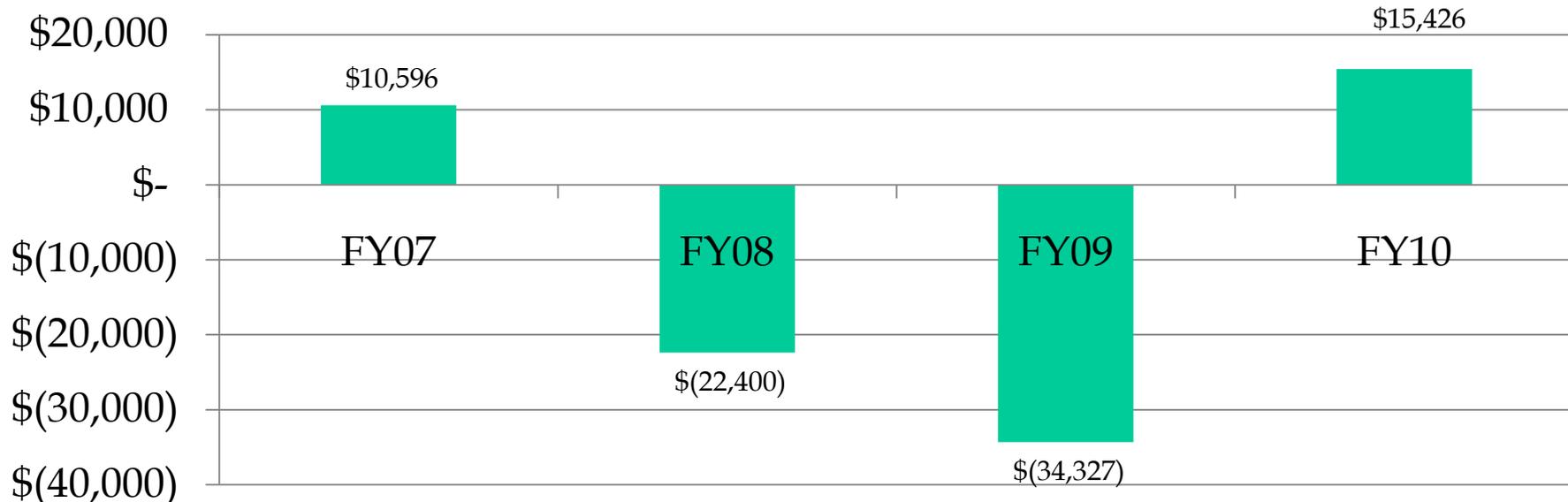
Economy impact drives results – but not necessarily cash flow



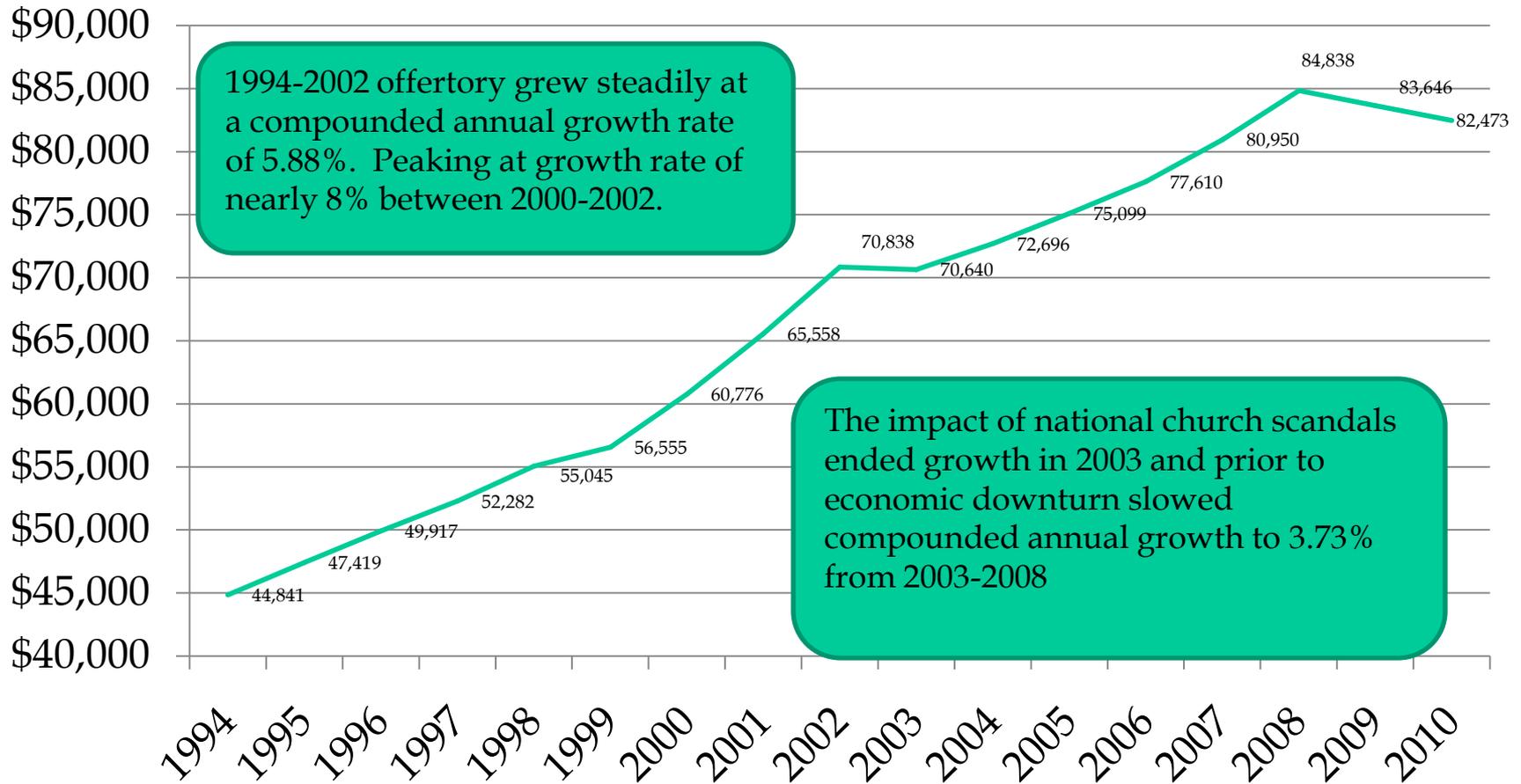
S&P 500 Index



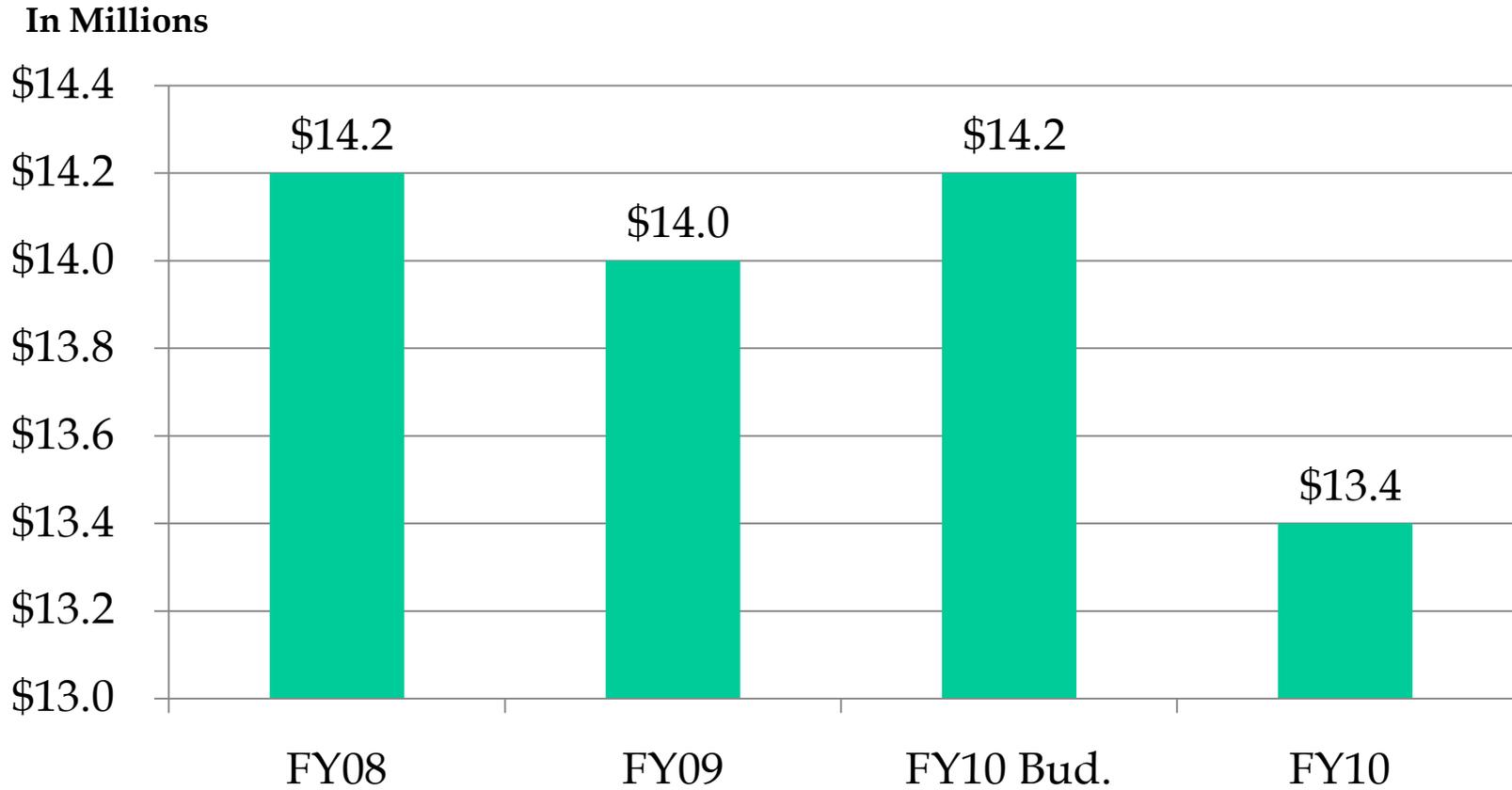
AOB Results (in Million)



Current Economy has impacted offertory



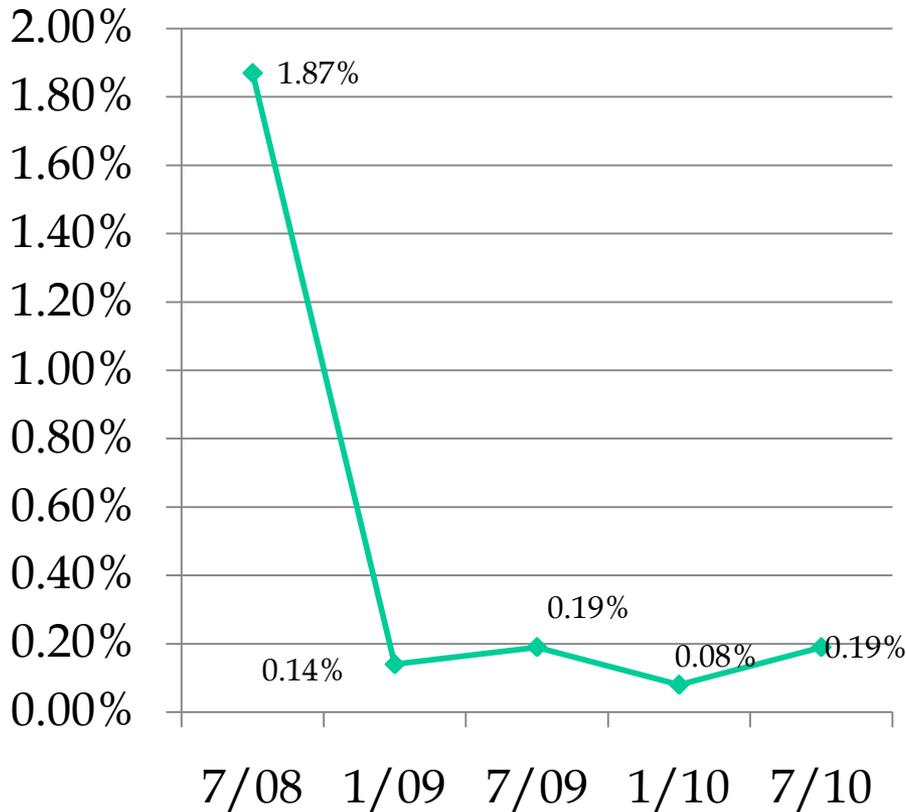
Central Service Cash from Cathedraticum Tax



Low interest creates cash flow issues



90 Day Treasury Note



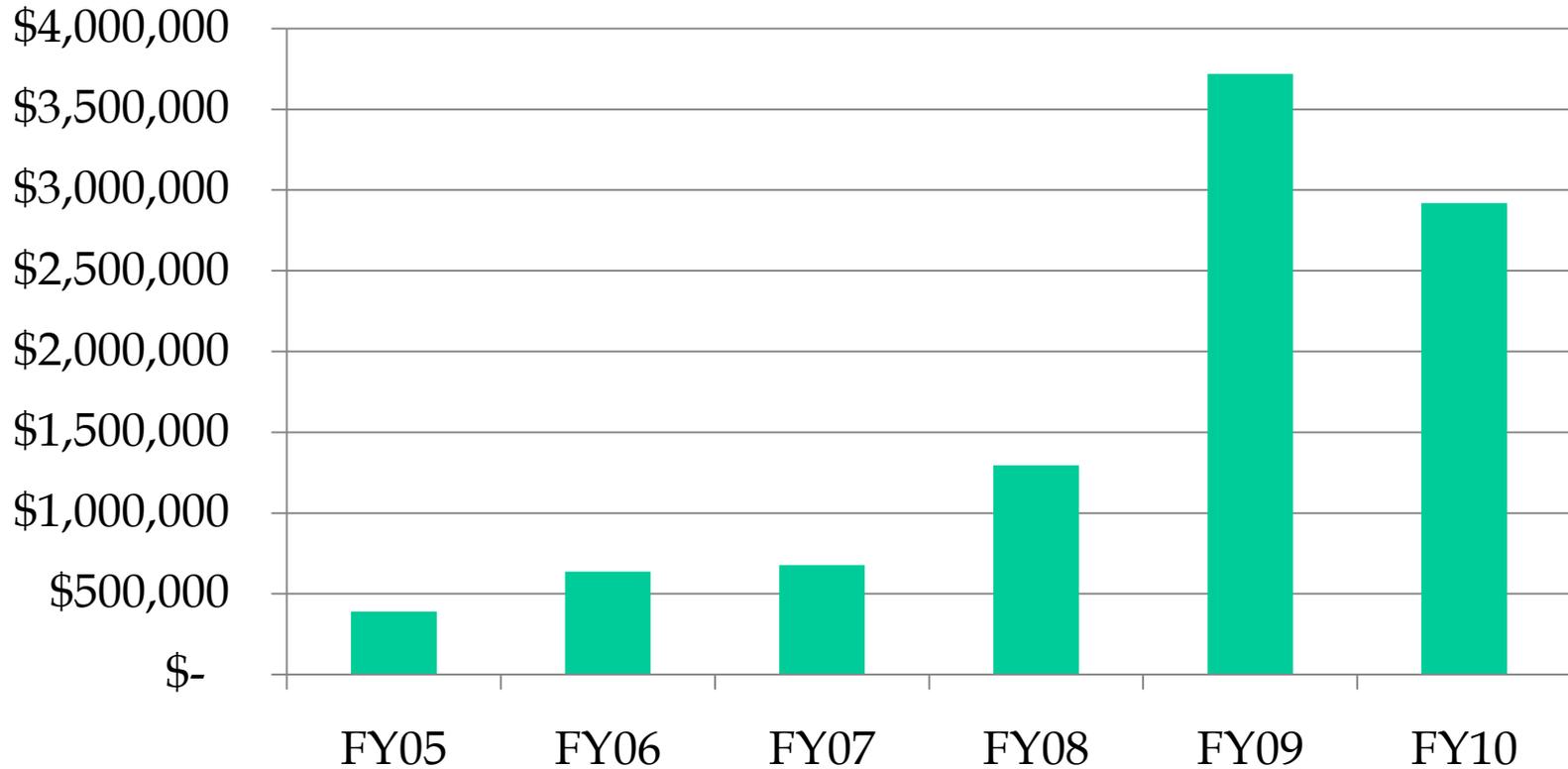
Fiscal Year	Investment Income (Cash from Investments)
FY09	\$1,914,427
FY10	\$800,840

Approx. \$1.1 million drop in available cash

Parish & School struggle to meet expenses/unable to pay for benefits and cathedraticum



Unpaid Tax/Premiums





- ❑ Reported Surplus of \$6,140,500 (accrual basis)
 - Removing non-cash accrual items results in \$2.6 million loss in cash for the year.
 - \$1.1 million was based on budget assumption of available investment income
 - \$700k due to lower revenue on cathedraticum
 - 500k expense with consolidating schools
 - 200k additional expense associated with RIF

- ❑ FY11 Core Central Service budget of \$18.9 million is \$1.8 million lower than FY10. On budget through 1Q.



- ❑ Internal Sub-Committee worked with USI
- ❑ USI - Pension Consultant Specializes in Diocesan Plans
- ❑ Subcommittee Recommended to Lay Employees Retirement Board to Freeze Plan
- ❑ July Lay Employees Retirement Board Approved Freeze
- ❑ September Priests Council Affirmed the Decision
- ❑ September BOFA Affirmed the Decision
- ❑ October Met with T. Rowe Price - 403(b) Plan



- ❑ Cost of Plan/Impact to all budgets
 - FY 11 - 10.5% of labor (\$18 million recommended)
 - FY 10 - 9% (\$13.8 million collected)
 - FY 09 - 8% (\$11.3 million collected)

- ❑ Losses in Market
 - \$63.7 million of investment value was wiped out in 2008/2009
 - \$20.7 million was earned back last year

- ❑ Aging Population
- ❑ Reduction in Active Population
- ❑ Increase in Retiree Population

What does the change mean to employees?



- ❑ Individual employee benefits accrued through 6/30/11 will be provided at normal eligible retirement age upon the decision to retire.
- ❑ Individuals not vested – Services after 6/30/11 will be used determine vesting status only, benefit will be based on service as of 6/30/11.
- ❑ The change has no impact to current retirees and anyone planning to retire at the end of June.

What does the change mean to employee?



- ❑ Everyone will participate in our 403(b) defined contribution plan.
 - A percentage of pay will be deposited quarterly for each employee.
 - Employees may also continue to contribute up to IRS maximums
 - Anyone fully vested currently in pension plan will be fully vested in all employer contributions into the 403(b)
 - New employees will vest in employer contributions at 50% after three years, 75% after four years and 100% after the fifth year. *[This item needs to be approved by the Lay Retirement Board]*



- ❑ Continue to Fund Frozen Plan
- ❑ Develop Plan Provisions of New 403(b) Plan
- ❑ Lay Employees Retirement Board Approval
- ❑ Communicate New Plan Provisions
- ❑ Schedule Education Sessions
- ❑ Provide Individual Statements of Frozen Benefit