



## **ARCHDIOCESE OF PHILADELPHIA OFFICE FOR COMMUNICATIONS**

222 North Seventeenth Street • Philadelphia, Pennsylvania 19103-1299  
Telephone (215) 587-3747 • [communof@adphila.org](mailto:communof@adphila.org) • [www.archphila.org](http://www.archphila.org)

**For Immediate Release**  
November 5, 2013

**Contact:** Kenneth A. Gavin  
Director of Communications

### **ARCHDIOCESE OF PHILADELPHIA ANNOUNCES FREEZE OF LAY EMPLOYEES' RETIREMENT PLAN EFFECTIVE JUNE 30, 2014**

*This action will enable the Archdiocese to meet its obligations to all current and future retirees; current and former employees will experience no loss or reduction of vested benefits.*

#### **Contextual Background**

This July, the Archdiocese of Philadelphia published audited financial statements for the fiscal year ended June 30, 2012. The financial statements disclosed a \$39.2 million operating deficit for that period as well as several very significant and ongoing balance sheet liabilities that measure in the hundreds of millions of dollars.

Since his arrival in Philadelphia just over two years ago, Archbishop Chaput has repeatedly expressed his commitment to financial transparency and prudent stewardship of the resources of the Archdiocese. Beginning last summer, a series of steps were taken to begin to remedy Archdiocesan fiscal challenges. The Archbishop's residence along with a property in Ventnor, New Jersey, were both sold to provide necessary immediate cash flow. Many other actions followed including a reduction of 25% of the workforce at the Archdiocesan Pastoral Center in order to stem the operating deficit.

Additionally, an evaluation of various Archdiocesan real estate assets and operating entities was undertaken. This evaluation focused on assets that could potentially be used to remedy the unfunded balance sheet obligations. In August of this year, it was announced that the Archdiocese would market its six nursing homes and one assisted living facility for potential sale in addition to pursuing an outsourced management agreement and lease for its 13 cemeteries. Such an agreement regarding the cemeteries was reached and made public in late September.

None of those measures were taken lightly, but all were essential. In order for the Catholic Church to maintain a viable presence in the Philadelphia region and provide for all those in need through its various ministries, it must re-establish a firm financial foundation.

#### **Background Regarding the Decision to Freeze the Lay Employees' Retirement Plan**

Among the balance sheet liabilities outlined this past summer was the Lay Employees' Retirement Plan (LERP). At that time, it was underfunded by approximately \$150 million (i.e. approximately \$630 million in actuarially determined liabilities versus \$478 million in plan assets).

While the funding level is sufficient to meet the current and medium-term benefit payments, action must be taken now to ensure that the Plan can meet its long-term obligations to future retirees.

As a result, the Archdiocese engaged a leading human resources and benefits consulting firm, to conduct an independent study of the plan with the objectives of assessing plan viability and the ability of the Archdiocese to maintain a defined benefit plan in the future. Following this study, a recommendation was provided to freeze the LERP. This recommendation was reviewed and accepted by the Board of the LERP and the Archdiocesan Finance Council. Final approval was made by Archbishop Chaput.

This decision is the latest in a series of actions taken by the Archdiocese of Philadelphia to help restore a solid financial foundation. It is part of the ongoing Archdiocesan effort to build the strongest possible Catholic Church in Philadelphia—one that will be sustainable now and far into the future.

### **Impact on Current Employees, Former Employees and Retirees**

As a result of this action, no current or former employee vested in the plan will experience a loss in accrued benefit.

- All current employees will retain benefits they have earned and will continue to accrue benefits through the freeze date.
- Accrued pension benefits under the plan will not increase for current employees with additional service or increases in pay after the freeze date.
- The Archdiocese will continue to make contributions to the plan after the freeze date in order to fund all benefits accrued through the freeze date.
- All former employees who are vested in the plan will retain benefits they earned while serving the Archdiocese or an entity participating in the plan.
- All retirees currently receiving benefits will continue to do so with no loss, reduction or interruption of benefit.

Current employees learned of this news today. Information was provided to them by their immediate supervisors at their employment location. Former employees who are vested in the LERP and retirees currently receiving benefits will be sent notification via the mail.

Additionally, current employees will receive an individualized, estimated pension benefit statement in the mail after November 7<sup>th</sup> illustrating their accrued benefit as of June 30, 2013 so that they will be informed about their particular situation. A dedicated call center will be active beginning Tuesday, November 12<sup>th</sup>. Staff members will be available to receive inquiries about the LERP freeze and to assist current and former employees with any questions they may have. A final, actual pension benefit statement will be mailed to current employees after the freeze date. All of the information presented above was provided to employees today.

### **The Lay Employees' Retirement Plan: History and Statistics**

The Lay Employees' Retirement Plan of the Archdiocese of Philadelphia was established in 1965 to assist those serving in the various entities and ministries of the Archdiocese in retirement. Currently, approximately 8,500 active employees are accruing benefits in the plan. Additionally, approximately

4,700 retirees are receiving retirement benefits and 4,350 former employees are vested and entitled to benefits from the plan.

The assets of the LERP are held in a trust entity that is separate from other Archdiocesan entities. The funds in the trust can only be used for their stated pension purpose.

### **A New Plan to Assist Employees in Retirement**

Although the LERP is being frozen, the Archdiocese remains committed to assisting its employees in retirement. After the freeze date, the Archdiocese will establish what is known as a defined contribution plan for retirement.

This is a plan in which participants will have choices regarding how their funds are invested. When the defined contribution plan is implemented, the Archdiocese will contribute a percentage of each individual's annual compensation to their defined contribution plan account. While the amount of the Archdiocesan contribution will be discretionary and will be determined on an annual basis, a contribution of 4.5% of each employee's annual compensation is expected initially. Employees will also have the opportunity to make pre-tax contributions to their individual accounts in addition to the funds provided by the Archdiocese up to established limits set forth by the Internal Revenue Service.

Additionally, employee vesting in any Archdiocesan contributions to the defined contribution plan will occur after one year of service. Service prior to the establishment of the new plan will count toward this vesting requirement. Any employee who has already completed one full year of service, working 20 hours or more per week for at least five months per year will be vested immediately in the new defined contribution plan.

In the coming months, additional, detailed information about the defined contribution plan will be provided to current employees.

###

#### **Editor's Note:**

For additional information, including a copy of the Summary Plan Description for the Lay Employees' Retirement Plan and a document designed to answer many of the questions that will be asked most frequently about this action, please visit [www.archphila.org](http://www.archphila.org).