



A Report to Members of the Archdiocese of Milwaukee Priests' Pension Plan

March 1, 2025

This report is designed to provide an updated report on the Plan, and to reassure you of the Plan's stability and security, as well as answer some common questions.

This report is current through July 1, 2024. The current Plan document is dated July 1, 2016.

If you have questions after reading the following information, please contact Chris Brown, Treasurer and Chief Financial Officer, Archdiocese of Milwaukee, at 414-769-3325.

Overview

The Plan is administered by the Priests' Pension Board, which is a committee of priests appointed by the Executive Committee of the Council of Priests of the Archdiocese of Milwaukee. The Archbishop may also appoint a delegate to serve as an ex officio representative on the Board. The Board has authority to interpret the Plan, decide questions of eligibility, and determine procedures to be followed by Plan participants. The Board makes recommendations to the Archbishop of plan changes for final approval and implementation. The Board does not have power to add to, subtract from, or modify any of the terms or benefits provided by the Priests' Pension Plan.

The Archdiocese of Milwaukee Priests' Pension Trust is a formal trust fund. The Trust was established in 1973 to receive and administer the funds of the Plan. It meets the requirements and standards set for the legal protection of trust funds and is qualified for tax purposes under the rules of the Internal Revenue Service. The Archdiocese of Milwaukee Priests' Pension Plan is a qualified *defined benefit plan*. This means that contributions to the Plan and earnings on the trust fund are not taxable to the priest participants until benefits are paid to them.

Definitions and Statistics

Eligibility

All Diocesan priests belonging to the Archdiocese of Milwaukee are automatically members of the Priests' Pension Plan, which is a Defined Benefit Plan.

Vesting

Being vested means that you are entitled to receive certain benefits if you leave the Archdiocese or the ministry for any reason (except death) before you retire. If you leave and your official assignment has been for less than 10 years, you will receive a lump-sum distribution of your contributions, plus interest as specified in the Plan. If you leave and have more than 10 years on official assignment with the Archdiocese, you may choose either the lump-sum distribution or a monthly benefit payable the month after you turn 68, prorated according to your years of service with Archdiocese and the benefit in effect at the time you leave.

Current Membership

As of July 1, 2024 there were 144 active priests and 136 senior priests participating in the Plan.

Retirement Date

The Normal Retirement age is 68. You may choose to receive your full monthly benefit any time between age 68 and your retirement date, even if you are still in active ministry. If you remain in active ministry while collecting a pension benefit, your obligation to contribute to the Plan remains until your actual retirement date.

You may retire as early as age 65 with the approval of the Archbishop. However, your monthly pension payment is permanently reduced by five percent, pro-rated, for each year before age 68.

Long Term Disability

The Long Term Disability Insurance Plan (LTD) is available to provide support if you become disabled prior to age 68. For more information, contact Jodi Bowers (414-769-3484 or bowersj@archmil.org). Upon your 68th birthday, you will be eligible for normal pension benefits; LTD benefits may be reduced, or cease entirely, at that time.

Rental Allowance

Up to 100% of your pension benefit may be designated as a rental allowance. When used to pay for a priest's rent or to provide for a dwelling place after retirement, the amount of the allowance will not be considered taxable income. Box 2b, *Taxable Amount Not Determined*, on your form 1099-R will be checked. You are responsible for maintaining adequate documentation of your post-retirement housing costs to be able to substantiate your claim for this benefit.

Distributions and Sources of Funding

Benefit Distributions

You are eligible to receive a monthly benefit payment from the Plan when you reach age 68, whether or not you retire. The amount of the benefit is reviewed periodically and adjusted when possible, taking into account the funding status of the Plan, the cost of living, the projected number of retirees, and other factors from the annual actuarial valuation. As of July 1, 2024, the monthly benefit was \$1,890, and on July 1, 2025, the benefit will increase to \$1,975. You will receive a form 1099-R annually for these benefits. See also “Rental Allowance” section above.

Other Pension Fund Distributions

In addition to monthly pension distributions made to the members, the Plan also pays fees on the investments and contributes \$100,000 annually to help offset the cost of health insurance premiums for senior priests.

Funding Sources

The Plan is funded from several sources:

- Contributions from individual priests
- Contributions from their employing institutions (parishes, schools, Archdiocese)
- Investment Income
- Gifts, Estates/Bequests

The contribution amounts are based on your years of service since ordination.

Leaving a Legacy Gift

Every priest is strongly encouraged to have a will in place, with a copy provided to the Chancery Office. You can help support the sustainability and financial soundness of the Priests’ Pension Plan with a legacy bequest in your will or by naming the Plan as a beneficiary of life insurance, annuities, 403(b) and IRA plans.

Actuarial Valuations

The Priests’ Pension Board authorizes an annual actuarial valuation of the Plan by licensed actuaries to assess the adequacy of the Plan’s funding and sustainability of the benefits. Each year we provide the actuaries with an updated census of Plan participants and a report on the Trust Fund’s transactions and market value. The actuaries use demographic and economic assumptions to determine the adequacy of the Trust Fund to pay the benefits to all participants.

The Priests’ Pension Board meets annually with the actuaries to review the report and discuss the soundness of the current Plan structure and the feasibility and impact of improving benefits.

Currently, actuarial services are provided by Gabriel Roeder Smith & Co.

The Plan is currently funded at 87.9% according to the July 1, 2024 actuarial valuation. Our actuaries tell us that the funding status of our Plan is in the top quartile of pension plans.

Fund Activity July 1, 2023 through June 30, 2024

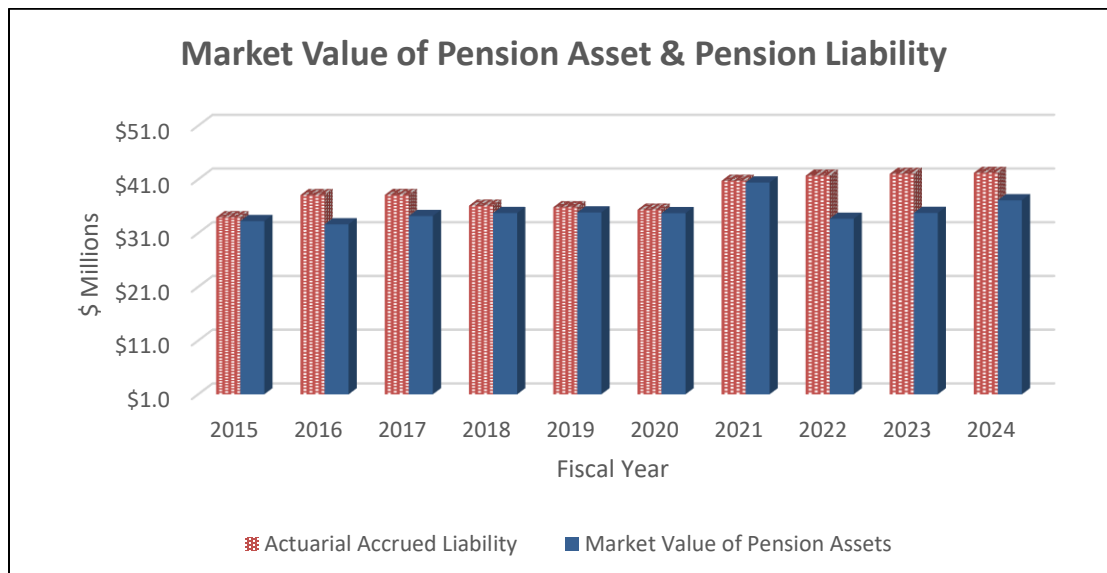
Balance at June 30, 2023 \$34,757,685

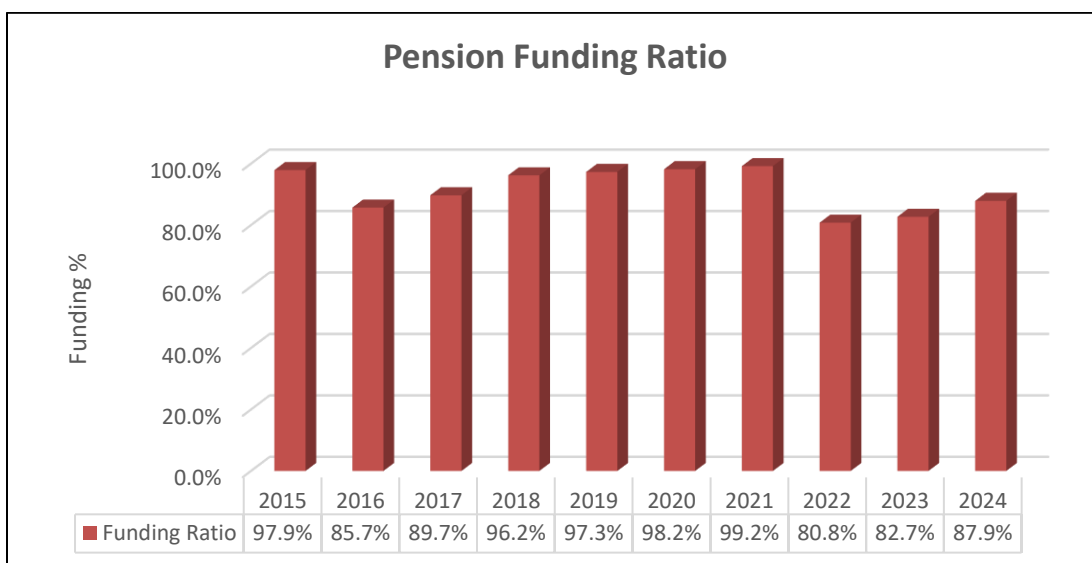
Additions:

| | | |
|---|------------------|-----------|
| Contributions Received | 1,052,187 | |
| Income Earned on Investments | 1,189,232 | |
| Net Gains on Investments Sold during the Year | 1,448,246 | |
| Market Increase in Securities | <u>2,081,864</u> | |
| Total additions to Plan | | 5,771,529 |

Decreases:

| | | |
|--|---------------------|---------------------|
| Pension Distributions during the Year | (3,191,021) | |
| Decrease in Value of Investments | 0 | |
| Investment Expenses (includes Admin, Legal, Actuary) | (115,642) | |
| Contribution toward Senior Priest Health Care Premiums | <u>(100,000.00)</u> | |
| Total decreases to Plan | | (3,406,663) |
| Balance in the Fund, June 30, 2024 | | <u>\$37,122,551</u> |





Funding Ratio = Market Value of Pension Assets/Actuarial Accrued Liability

Investment Portfolio

Sound investment guidelines have been successful in the past and will guide us in the future. Investment policies are reviewed periodically to ensure they keep up with market changes and remain sound.

Multiple Objective Investment Policy

Stability: To maintain a high level of stability and security in the fund by minimizing risk and volatility within the rate of return goals.

Liquidity: To maintain sufficient liquidity to provide for all anticipated benefit payments and to make investments with sufficient marketability to provide for unanticipated withdrawals.

Preservation of Capital: To avoid the risk of large losses, the potential for gains from high-risk investments will be forsaken in favor of a more stable positive return.

Asset mix: The fund will hold no more than 70% of assets in stocks. Assets will be re-balanced periodically to stay within long-term allocations among asset classes.

Diversification: Investments are made in equities and fixed income securities to reduce the risk of large losses.

Social Responsibility: Investments are made for consistency with Catholic social teaching. Fund managers are held accountable for screening investments against the guidelines provided to them.

Plan Management

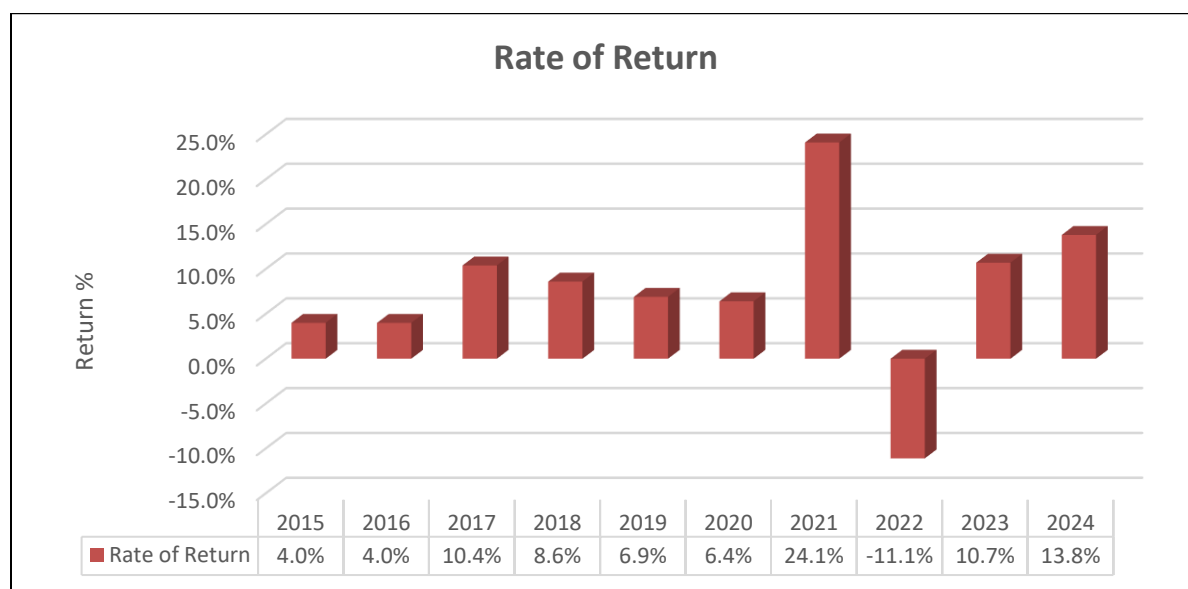
The funds are held in a tax-qualified trust. US Bank Institutional Trust & Custody is the custodian of the Plan Funds. The Custodian processes the payments to each recipient.

Archbishop Grob, through the Archdiocesan Office for Finance and Administration, oversees the day-to-day administration of the funds. Investment oversight is provided by the Investment Committee of the Archdiocesan Finance Council. The Finance Council receives regular reports on the investment of the funds and provides advice to the Archbishop. Currently, one Investment Committee member is also a member of the Archdiocesan Finance Council.

An investment consultant from Marquette Associates advises the Investment Committee, monitors managers for performance and compliance with investment guidelines, and helps identify and evaluate investment managers if the Committee determines there is a need to investigate manager alternatives.

Pension funds (both Priest Pension and Lay Pension) are invested through multiple managers utilizing a variety of investment styles.

Since the Plan is invested in a mix of equities and fixed income securities, investment performance varies from year to year. In order to capture adequate earnings over time, both equities and fixed income investments need to be part of the Plan's investment portfolio. Here is a 10-year history of rates of return on assets, net of expenses.



Rate of Return per the GRS Actuary Report

Additional Retirement Resources

In addition to your Pension Plan, there are other programs to supplement your income and provide additional security for your retirement years.

Senior Priest Benefits from the Archdiocese

The Archdiocese, with assistance from the Priests' Pension Plan, St. Michael's Priest Fund Trust, and the generosity of the donors to the Catholic Stewardship Appeal, fully pays for the health, dental and vision insurance premiums, as well as a \$1,000 per qualified senior priest, annual Health Reimbursement Account (HRA)*. Retreat fee assistance and continuing formation program fee assistance is also available to senior priests.

* If you are not eligible for Social Security or Medicare benefits, neither are you eligible for the HRA reimbursement.

Social Security

If you pay Social Security taxes, you are eligible to receive Social Security retirement benefits. The normal retirement age to receive Social Security benefits depends on your year of birth. The full retirement age moves in increments from age 65 (born in 1937 or earlier) to 67 (born in 1960 or later). Contact the Social Security Administration for more information. <https://www.ssa.gov/> **1-800-772-1213 (TTY 1-800-325-0778)**

Medicare

Generally, if you are eligible for Social Security benefits you are eligible for the Medicare medical insurance program. To avoid penalties, you need to register for Medicare at age 65, even if you do not start collecting benefits immediately. The Social Security Administration can provide you with additional information.

<https://www.medicare.gov/> **1-800-MEDICARE (1-800-633-4227) (TTY 1-877-486-2048)**

Personal Savings

An important source of income for your retirement is your personal savings. It is never too early to begin saving for retirement. You are encouraged to discuss your options with your financial advisor.

Priests' Pension Board Members

The members of the Board as of July 1, 2024 are:

Rev. Dan Sanders, Chair

Rev. John Hemsing

Rev. Justin Lopina

Rev. Oriol Regales

Rev. William Stanfield

Rev. James Volkert

Rev. Nathan Reesman, Vicar for Clergy, *Ex Officio*

Members of the Priests' Pension Board are appointed by the Executive Committee of the Council of Priests of the Archdiocese of Milwaukee.

History of Benefits

Benefits paid from the Plan have increased significantly over the past 50 years. Sound and prudent management of the Plan and its investments has paid off in increased financial security for priests during their retirement years.

| <u>Effective Date</u> | <u>Benefit</u> | <u>Effective Date</u> | <u>Benefit</u> |
|-----------------------|----------------|-----------------------|----------------|
| July 1, 1973 | \$ 400 | October 1, 1998 | \$1,150 |
| January 1, 1975 | \$ 412 | October 1, 1999 | \$1,200 |
| January 1, 1977 | \$ 422 | October 1, 2000 | \$1,250 |
| July 1, 1977 | \$ 428 | October 1, 2005 | \$1,285 |
| July 1, 1979 | \$ 452 | October 1, 2006 | \$1,325 |
| July 1, 1981 | \$ 467 | October 1, 2007 | \$1,365 |
| September 1, 1982 | \$ 500 | July 1, 2013 | \$1,400 |
| May 1, 1984 | \$ 520 | July 1, 2015 | \$1,435 |
| April 1, 1986 | \$ 600 | July 1 2017 | \$1,450 |
| July 1, 1988 | \$ 630 | July 1, 2018 | \$1,475 |
| January 1, 1990 | \$ 690 | July 1, 2019 | \$1,520 |
| July 1, 1992 | \$ 725 | July 1, 2020 | \$1,580 |
| July 1, 1993 | \$ 775 | July 1, 2021 | \$1,640 |
| July 1, 1994 | \$ 850 | July 1, 2022 | \$1,740 |
| October 1, 1995 | \$ 925 | July 1, 2023 | \$1,815 |
| October 1, 1996 | \$1,000 | July 1, 2024 | \$1,890 |
| October 1, 1997 | \$1,050 | July 1, 2025 | \$1,975 |