



PERSPECTIVES

Priest Retirement: “Plan of the Future” Ideas and Considerations

Robert Nordin, FSA, EA, MAAA

Let me begin by saying that nobody should be so presumptuous as to suggest that one plan design will fulfill all the needs of each and every diocese across the country. However, after 40 years of consulting to dioceses, I believe so many things have changed that revisiting the design of Priest Pension Plans might be beneficial for all parties.

So, what has changed over the past 50 years that would warrant another look at the Priest Retirement Program?

Some factors that have changed include:

- **Number of Priests**
 - Shortages of priests are almost universal across the country now.
- **Longevity**
 - Life expectancy has increased dramatically over the past 50 years.
- **Retirement Vehicles Available to Deliver Benefits**
 - In 1970, 401(k) and 403(b) plans did not exist.
 - These plans are becoming increasingly popular for priests.
- **Corporate America’s Retirement Evolution**
 - Defined contribution plans, like 401(k) and 403(b) plans, have replaced defined benefit plans for most companies across America.
 - But does this make sense for priests?

- **Financial Responsibility for Retirement**

- In 1970, many dioceses took on the full responsibility for providing retirement benefits for their priests.
- This included not only a pension, but also medical, dental, long-term care and housing benefits.

While many things have changed, one thing that remains the same is the obligation of the Archbishop (or Bishop) to take care of priests who have retired from their diocese.

Before we communicate the “*Plan of the Future*”, perhaps it would be a good idea to spend some time discussing in more depth where we have come since 1970 (or stood still) as it relates to Priest Pension Plans.

A table that compares various retirement issues from both a 1970’s and 2020’s perspective is shown on page 2.

As you will see, the landscape of Priest Retirement Plans has changed significantly over the past 50 years but the actual delivery of retirement benefits to priests have not changed in any significant way for most dioceses.



Comparison of Priests Retirement: Then and Now

Retirement Issue	Then (1970's)	Now (2020's)
Financial Responsibility	Diocese has sole responsibility	Diocese and Priest share responsibility
Organization Structure	Mutual Benefit Societies	Qualified Church Plan Status
Retirement Vehicles	Defined Benefit (DB) Plans	Defined Benefit plus Defined Contribution (DC) Plans (401(k) or 403(b) plans)
DB Benefit Level	Flat Dollar Amount: May not be based on service. For example, a 20-year priest may receive an identical benefit to a 40-year priest.	Largely the same approach
Benefit Adequacy	Unknown: There was no way to determine all resources available to a priest at retirement.	Can be determined: New tools are available to uncover information such as Social Security benefits and personal savings.
Benefit Eligibility (Other than Normal Retirement Age)	<p>Early Retirement: Wide range of requirements</p> <p>Late Retirement: Rare since most priests retire at Normal Retirement Age</p> <p>Resigned Priests: Some dioceses make a pension available</p> <p>International Priests: Not plan participants, but funding is provided. Be careful, this may cost more than dioceses realize.</p>	Largely the same approach
Cost-of-Living Adjustments (COLAs)	Ad hoc increases	Same approach

CAUTION: 50 years is a long time to sponsor a plan without making changes along the way. Taking a step back and creating a formal benefit policy is a great way to see if attitudes have changed in providing benefits. Recently, GRS worked with the Archdiocese of Indianapolis on creating a formal benefit policy for their Priest Retirement Program. We looked at each and every benefit policy and discussed whether it still made sense in today's world. The culmination of the project was a formal retirement policy, new plan document and a communication program to alert all priests of the changes and the reasons behind them.



Testimonial

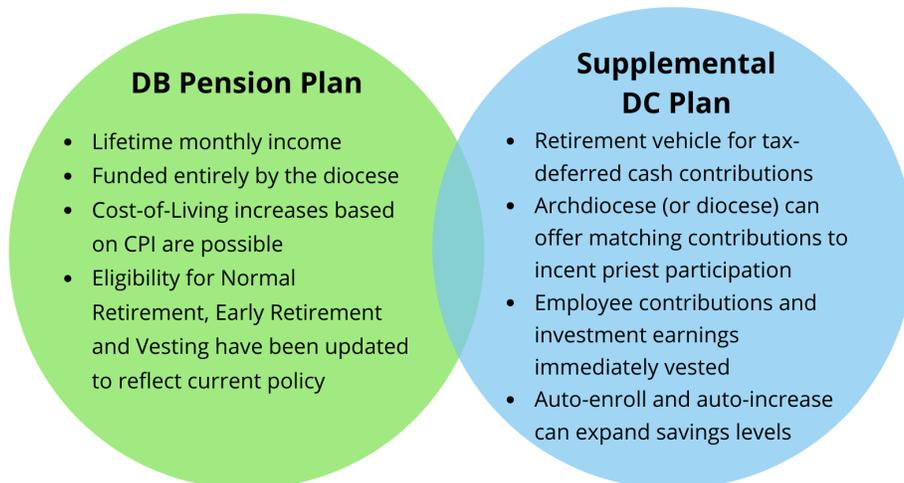
The Roman Catholic Archdiocese of Indianapolis recently completed a thorough review of its Priest Pension Plan and significantly updated its plan document and policy statement. Bob Nordin of GRS was of tremendous assistance in facilitating a committee of active and retired priests to obtain their input on updates to our plan and policy documents, which were subsequently approved by the Archbishop. With Bob's expert assistance, our Priest Pension Plan now more fully reflects the current and future needs of our priests, and the revisions were very well-received by our presbyterate. I highly recommend that every diocese engage in a similar process to ensure adequate pension benefits for priests and involve active and retired priests in a facilitated discussion of how to address their retirement needs.

Ed Isakson, Human Resources Director, Archdiocese of Indianapolis

Drum roll please!

The plan of the future is presented below for your consideration. You will notice that it includes the current Defined Benefit Pension Plan (Base Plan) plus a new Supplemental Defined Contribution (DC) Plan (e.g., 401(k) or 403(b) plan).

Retirement Program Plan of the Future



The primary reason for adding a Supplemental DC Plan is to actively engage the priests in saving for their own retirement. Since the ultimate financial responsibility of providing retirement resources is shared between the diocese and the individual priest, the Supplemental DC Plan offers an easy way to incent and encourage the individual priest to save for their own retirement.

In today's world, there is a wide range of what priests are saving for retirement and what they have accumulated. By adding a Supplemental DC Plan with a matching component, you will be going a long way in getting your priests engaged in preparing for retirement. In addition, this creates another opportunity for the diocese to communicate with their priests on the importance of retirement planning and saving.



Final Comments

As I close this article, I have one final cautionary opinion to share – **DO NOT** follow in the footsteps of Corporate America and place all of your emphasis (and funding) on the defined contribution plan.

In 2014, I wrote an article on this very subject for the [Spring, 2014 DFMC Herald](#), titled [“Pension Plan For Priests – Following the herd might lead you in the wrong direction.”](#)

The article provides several reasons to keep the defined benefit pension plan as a solid base for providing lifetime income to priests in their retirement.

About the Author

ROBERT NORDIN, FSA, EA, MAAA is a Senior Consultant with more than 40 years of experience as an actuarial retirement consultant working with church, corporate, and non-profit plans. Bob's consulting experience covers priest and layperson pension plans, benefit adequacy studies for priests, benefit policy development, plan design studies, and special studies on late ordinations, international priests and resigned priests.



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The author thanks Bonnie Wurst for her review and helpful comments.

Over the Years: A List of GRS Priest Pension Plan Articles

- *Preparing Priests for Retirement What Every Diocese Needs to Know ... and Do* (January 2014)
- *Best Practices for Priest Pension Plans* (March 2014)
- *Priest Retirement – Where Stepping Back Can Really Push You Forward* (July 2016)
- *Priest Retirement – Unanswered Questions Can Have Unintended Consequences* (April 2017)

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