

# Metropolitan Council DOS Lay Delegate Report

A report on the activities of the Metropolitan Council since the last Diocese of the South Assembly from the DOS lay delegate to the Metropolitan Council, Joshua Godbold.

## INTRODUCTION

Since the last Diocesan Assembly held concurrently with the 2022 All American Council, the Metropolitan Council has met in regular session twice, in October of 2022, meeting in person in the relatively new chancery in Springfield, Virginia, and again on March 11 and 13, 2023 via virtual meeting. The in-person meetings are, by design, about double the length of the virtual meetings. Metropolitan Tikhon convenes special meetings to deal with focused topics as necessary. The next Metropolitan Council meeting is slated to be held October 11 and 12, in-person, at the chancery in Springfield.

Meeting minutes of the Metropolitan Council ("MC", hereafter) can be found on the OCA website. In this report, it is not my intent to comprehensively report on the activities of the MC or the OCA chancery, but rather to call the Council's attention to what I think are particularly noteworthy aspects.

## COMMITTEES REINSTATED/REFRESHED

The MC has refreshed the committee structure where smaller groups of MC members are tasked with particular categories of topics. The committees are:

- Ethics and Human Resources
- Finance and Investment
- Internal Governance
- Legal
- Technology
- Properties
- Pension

Each committee currently has between three and six members, and the committees have been reinvigorated, as far as I can tell, only in the last year. The pension committee, which Archpriest Joseph Ciarciaglino (DOS clergy delegate to the MC) chairs, has been active for some time, and I am now also a member of this committee. I will report on the pension in a separate section.

The MC has much to do between sessions, but due to individual workloads and the nature of volunteer work, it is easy for members to expect the Chancery officers and staff to do all the necessary governance work and, as a member, to just show up twice a year to meetings. In my view, this passive model is something to be avoided, and active participation in committees between sessions is one means of doing that. The committees offer the possibility of a more focussed group of people digging into details at a level that is impossible at regular sessions and then recommending action to the MC as a whole during regular sessions.

Due to the dearth of non-Chancery-officer work getting done between meetings, we often have resolutions made from the floor. These resolutions, being spontaneous, lack precision of wording and they lack the context or background that provoke the resolutions being offered. In my opinion, this is undesirable, and, as an MC member, I am working to normalize the idea that the vast majority of resolutions coming up for vote should formally come from a committee or the Chancery officers.

## CHANCERY LOCATION/WESTWOOD PROPERTY

The OCA Chancery in New York (Westwood) is being placed into stasis pending its sale, and the OCA Chancery is now located in leased space in Springfield, Virginia, with nearly everyone who should move already moved and operating from that space. His Beatitude relocated his home quite some months ago and has been pleased to operate normally within his diocese where his parishes are all a relatively short drive away.

The sale of the Westwood property has proved extremely difficult. From the municipal level to the state level, New York is full of onerous rules and regulations, and some of these rules around taxes and zoning have made the old and beautiful property of Westwood very difficult to sell. Two members of the MC property committee, Greg Honshul and Ray Steeb, have been doing yeoman's work dealing with the disposition of the Westwood property. There is and was storage of significant items of patrimony of the OCA at Westwood. Some of that has been moved to Springfield, and a great deal of it is going to St. Vladimir's Seminary in a room or rooms dedicated to the preservation of those items. The OCA Secretary, Priest Alessandro Margheritino, has been at the center of preserving this patrimony.

## TRANSPARENCY OF METROPOLITAN COUNCIL WORK

There is an assumed rule of the MC to consider everything outside of the official meeting minutes to be confidential information not to be shared outside of the MC. I think this is highly undesirable and I am working to codify a change to it. An example will illustrate: The OCA Treasurer, Andrew Smith, was given a commission by His Beatitude to write a report on the state of the OCA pension about a year before the last All-American Council. The report was thorough, sober, and contained no personal details or personally identifiable information, and to this day, we are not allowed to show it to anyone outside the MC and Holy Synod! Had that report been made public, it would have provided a solid refutation of the inflammatory and intemperate communications coming from the Pension Board (or some subset of the Pension Board) leading up to the AAC, and it would have provided a much sounder basis for decision making and voting by delegates.

The attitude of secrecy over work that properly belongs to the church as a whole infects our Pension Board, too. Many requests for information are ruled out-of-order, including requests directly from Metropolitan Tikhon, himself.

## SUCCESSION

Either at the end of this current term, or after another term, if I am so charged, the Diocese will have to elect another lay member. I don't recall Fr. Joseph's term status, but he, too, will not serve on the MC forever. I ask the Diocesan Council to give some thought to succession planning, both in terms of identifying potential candidates ahead of time and providing some useful transition period where know-how can be passed from outgoing to incoming. It has taken me about a year to get my feet under me and thus meaningfully contribute to the MC, and I would like to see my successor be spared such a long learning period.

## CHANCERY WORK AND FUNDING ALLOCATION

Our OCA Chancery is doing a LOT of work. Due to the vexing rule about confidentiality, I am unable to include the latest report from Archpriest Thomas Soroka to the MC and Holy Synod about the work of the departments of the OCA, yet, as we saw from his comprehensive report at the All-American Council, there is a great deal of important work going on under national auspices. The Chancery officers are, of course, fully burdened with the work of the OCA which is often different in character from the work of a diocese.

As the Diocese considers and debates funding allocation to the national church, I suggest:

- Specific evaluation of work and staff. If less funding is the right answer, what particular work should be stopped? What staff could be cut? Where could increased efficiencies be leveraged to reduce costs?
- At what level should the work be done? Is there diocesan work that could be better accomplished at the national level and vice-versa?
- Keeping in mind the statutory requirements of national church work such as planning for and holding the All-American Council.
- A focus on minimizing redundant work. For example, there is a tremendous amount of parish-level effort that goes into preparing for liturgical services (reading, singing, serving) that is simply redundant.

From the reports I see, I think there is good opportunity for the Diocese of the South to more deeply participate in the work done at the national level for the benefit of our parishes.

## PENSION

The pension plan for our clergy and church workers has taken the majority of my mental energy in the time I have served on the MC, and it is the area in which the least progress has been made. To level-set: the Pension Plan that many of our clergy and church workers depend on for income is approximately \$30 million dollars underfunded. “Underfunded” means that over the course of the life of those who are or will get payouts in the plan, the OCA or another source must provide an additional \$30 million over and above the existing assets and contributions. Over the past two decades, multiple members of the Pension Board have failed at one of the Board’s core requirements: *The Pension Board shall: ... secur[e] the stability, financial security and viability of the Pension Plan.*<sup>1</sup> While the Pension Board has failed to secure the financial stability and viability of the plan, it is not the only culpable party. The Metropolitan Council and the Holy Synod have approved changes to the Pension Plan without understanding the financial impact of those decisions. Further, the MC over the past two decades has thoroughly failed in this: *Determine the data and means necessary for collecting and reporting on the state of the Church, and direct the appropriate Church Officers to collect, preserve, and report on the results.*<sup>2</sup> There are two key, related problems to be solved around the Plan: Rescue the existing plan and provide some mechanism for church workers to retire with dignity that does not transfer the financial burden to future generations of Christians.

After the fall 2022 meeting of the Metropolitan Council, I wrote a document addressed to His Beatitude and the Council summarizing my thinking on the state of the plan and the reporting coming from the Board. I copied the Diocesan Council on that report, and I include it, again, as an appendix to this report because I think it still accurately summarizes our current state in those aspects it touches on.

Further observations:

- The Pension Board changed their actuarial firm from Milliman to Gabriel, Roeder, Smith & Company (GRS), effective January 1, 2023. As of the beginning of July, there has been no updated actuarial or other analysis provide by GRS to the Pension Board (according to David Lane, the MC liaison to the Board). Contrast this with the Cheiron report which, despite the PB’s and Milliman’s resistance, was able to make an actuarial analysis in just 2-3 months.
- The *Statute of the Orthodox Church in America* has created a governance structure and division of responsibilities around the Pension Plan that has contributed to the plight we find ourselves in. Ultimately, the Statute must be revised.
- Metropolitan Tikhon and the Holy Synod created a special committee of three Holy Synod members, three Pension Board members, and three Metropolitan Council members (of which I am one) with a mandate to investigate and provide suggestions for the problems facing the Plan. That special committee has only met twice in about seven months and has not produced anything of note. I think the mandate was rightly given, but I think this committee is the wrong vehicle for producing results. It may be that the Holy Synod will change tack on this front.
- The Metropolitan Council and the Holy Synod, should, in my opinion, retain professional investment, legal, and actuarial providers in order to evaluate Plan provisions and capabilities.<sup>3</sup> This is going to incur significant expense. It is unlikely that the Pension Board will be able to produce this information for us.
- I did some historical investigation of old AAC minutes around the pension plan. As far as I can tell, the OCA tried to hire a company to provide annuities for priests, but that relationship quickly ended in acrimony. I suspect the OCA was insisting on benefits well in excess of funding.
- It seems to be a recurring theme from the Board that what is necessary to stabilize funding of the pension is to enroll more clergy. Of course, transferring the existing liabilities to new participants in the plan who are years away from retirement will make the near-term funding situation better. What has not been provided is the assumption underlying that theme of how young the new contributors must be, how long they must contribute

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<sup>1</sup> This is part of subparagraph iii. of paragraph e. *Competence of Section 16: Pension Board* of *ARTICLE III—THE ALL-AMERICAN COUNCIL of THE STATUTE OF THE ORTHODOX CHURCH IN AMERICA*.

<sup>2</sup> This is paragraph n of *Section 7: Competence of ARTICLE V—THE METROPOLITAN COUNCIL of THE STATUTE OF THE ORTHODOX CHURCH IN AMERICA*.

<sup>3</sup> This is an abridged quote from the Statute of some of the Pension Board’s responsibilities.

before taking benefits, and the actuarial assumption of how long they and their survivors will receive benefits. It is entirely possible that enrolling a currently non-participating 50-year-old priest who will take benefits after 15 years could actually hurt the plan.

- Bob Graban, the vice-chair of the MC pension committee and chairman of the MC finance and investment committee, has begun taking the tabular information in reports from the Pension Board and making graphs that show performance over time. These visualizations, even in their nascent forms, make the information we are receiving much easier to comprehend.

## APPENDIX

### COPY OF MEMO REGARDING PENSION PLAN AFTER FALL 2022 MC MEETING

To: Metropolitan Tikhon & members of the Metropolitan Council  
From: Joshua Godbold, Metropolitan Council lay member from the Diocese of the South  
CC: Archbishop Alexander, Diocese of the South Diocesan Council  
Date: 21 October 2022  
Re: Making decisions about the OCA Pension Plan

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Most Blessed Master, bless.

In our pension discussion held yesterday at the regular fall meeting of the Metropolitan Council, I was left with a feeling of incompleteness. I am writing this memo to clarify my thinking and my expectations around this topic and to perhaps help others do the same. I want to thoroughly understand a topic before being called upon to make multi-million-dollar decisions affecting our parish life. It is too late for our recent pension funding decisions, but there will be more.

The Pension Board, through Melanie Ringa and indirectly through Archpriest Matthew Tate (who was wearing his Metropolitan Council member hat instead of his Pension Board hat) presented a proposal to the Metropolitan Council to increase funding of our pension plan by transferring approximately \$2 million of parish income annually to the plan.<sup>4</sup> This proposal, in principle, is little different from what we have been hearing from the pre-20<sup>th</sup> AAC Pension Board. The difference between this proposal and previous proposals is the substantially improved documentation of the inner workings and finances of the plan. I commend the Board for doing the difficult work of moving us toward a state of “we are all in this together” in the sharing of information. It is very difficult to change institutionalized habits, and it appears that the Board has done exactly that and done it quickly.

What is yet missing, in my opinion, from the Pension Board reporting and planning is at least the following:

1. Multiple scenario planning using open-book, quantitative, probabilistic algorithms.
2. The target scenario the Pension Board has chosen for its planning.
3. Testing target scenario assumptions against actual results.
4. A plan to update the target scenario on a periodic basis.
5. A plan for rigorous periodic assessment of the administration of the plan with alternatives identified and assessed.
6. A sober and thoughtful periodic communication to the participants and parishes about the plan.

Items 1 through 4 can all be lumped under the rubric of “scenario planning”, and I will treat that, first.

#### SCENARIO PLANNING

At the core, any kind of savings for retirement revolves around a few key questions:

- How long will I live?
- What is the rate of return I will get on my retirement savings?
- What is the spend rate I will have in retirement?

By answering those questions, I can calculate the amount of money that must be banked at retirement down to the last penny. Of course, I cannot know the answer to any of these questions with certainty, so I approach the problem

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<sup>4</sup> I say “parish income” because nearly all OCA income arises from giving at the parish level.

probabilistically.<sup>5</sup> In terms of lifespan, I might plan for an age to which only 1% of the population lives. In terms of rate of return, I might plan for a couple of percentage points below the historic post-Great Depression rate of return. For spend rate, I can imagine a range of spending from *bare bones*<sup>6</sup> to *quite comfortable*. What I also can do is to model varying scenarios, including a changing inflation rate over time, changing investment returns, changing retirement age, etc. And by doing that, I can decide when to retire and what budget to live within that fits my tolerance of risk.

When we lump people together into a pension plan, similar decisions have to be made on their behalf. Things are made easier, on the one hand, because a defined-benefit pension plan has some simpler postulates. A defined-benefit plan is not concerned, directly, with a retiree's spend rate in retirement; rather, the pension simply has to pay out the same agreed-upon payment month after month. Things are also a little bit easier because of the Law of Large Numbers—some variability is reduced in larger populations. On the other hand, certain risks are only tolerable at infinitesimal levels. For example, an individual might tolerate a 5% risk of outliving his retirement savings, but few would find a pension plan acceptable where 5% or even just 1% of the recipients get cut off for living too long.

Modelling of these scenarios for our population of pension plan participants is tedious, but it is not black magic. Anyone with a mathematical bent, some understanding of probability theory, and an adequate helping of conscientiousness can do it.<sup>7</sup> I have had to computationally model uncertainty in multi-variable engineering decisions where substantial money was at stake and done it successfully. I say that not to volunteer for the job, but rather to dispel the notion that this is somehow a difficult or necessarily expensive thing to achieve, and to advocate that generating and publishing the results of a broad range of pension hypotheticals should be a core feature of any Pension Board report to the Metropolitan Council and others.

#### Multiple scenario planning using open-book quantitative, probabilistic algorithms

The Pension Board should be able to easily get answers to questions such as these.

- What is the chance the cohort will live longer than we plan?
- What is the financial implication of a longer-lived cohort?
- What happens if our return on investment is less-than or more-than we planned?
- What happens during an economic downturn?

To do this, the Board needs access to an actuarial engine. The calculation algorithm should be open to examination so that we know we are getting what we are asking for. The incremental cost to run scenarios should be zero so there is no financial disincentive to do so.

#### The target scenario the Pension Board has chosen for its planning

In order to make decisions, including decisions around needing extra funding, there must be an explicit goal we are aiming for. In our current state, the only goal seems to be “we need more funding”, but this does not allow me to project anything other than, “we will have to start selling our equities to pay benefits at a later date than otherwise.” **For me to make fiduciarily-sound funding decisions, I have to know the actuarial assumptions of the plan, the statistical confidence limits used, the investment returns projected, and the goal funding level, to name just the heavy-hitters.** It may be for the Metropolitan Council and Pension Board together to set the goal funding level and target date to achieve it.

#### Testing target scenario assumptions against actual results.

There must be a rigorous and pitiless examination of past assumptions against actual performance. This is the key mechanism to determine if our assumptions were correct.

#### A plan to update the target scenario on a periodic basis.

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<sup>5</sup> *But God said unto him, “Thou fool, this night thy soul shall be required of thee: then whose shall those things be, which thou hast provided?”*

<sup>6</sup> “bare bones” by first world standards, which is far from bare bones.

<sup>7</sup> If Wikipedia is to be believed, Edmund Halley was doing it in 1693. [https://en.wikipedia.org/wiki/Edmond\\_Halley#Life\\_as\\_an\\_academic](https://en.wikipedia.org/wiki/Edmond_Halley#Life_as_an_academic)

The plan must be updated on some reasonable periodic basis. To take just one example, investment performance substantially above or below target values will change the amount of future contributions needed.

## ADMINISTRATIVE STRUCTURE AND EXPENSES

In the report from the Pension Board at our fall meeting, we found out that due to the bookkeeper resigning, there is a cost savings of at least \$17,000 annually because we are now using a bookkeeping company. I would like to see the Board do a top-down review of all of the administrative expenses with an eye to reducing them. In a similar vein to the bookkeeping function, it may be that the administrator and legal positions, which cost over \$200,000 annually, could be substantially reduced in expense and improved in quality by contracting those functions to a pension administration firm.

The Holy Synod will decide whether to increase parish contributions to the pension plan by two percent of the rector's salary this year and again the following year. Our faithful should be assured that the maximum amount of their money is going to support our clergy in retirement.

## COMMUNICATION

Prior to the 20<sup>th</sup> All-American Council, there were several intemperate letters sent by the then-Pension Board that gave a very skewed version of the health and status of the plan. The plan participants and the faithful who expect their clergy to be taken care of in retirement deserve transparent communication of the following:

- Goals of the plan. What are we trying to accomplish? This should be both qualitative and quantitative. As a parishioner, I want to know how much my priest is going to receive in retirement, the rules around how he can take his pension, and what the survivor benefit will be. I also want to know what portion of my giving goes to taking care of other priests who did not have the benefit of years of contributions.
- How did we get to the current financial position? Rebuilding trust requires full disclosure of the mistakes of the past.
- The same reports and decision-making documents that we, the Pension Board and Metropolitan Council see, should be made available to our faithful.<sup>8</sup>
- What is the difference between the employer contribution and the employee contribution? What happens with late payments? What happens if payments are not made up? Based on what I heard yesterday, I don't there are clear answers to any of those questions, but there should be answers, and those answers should be communicated to plan participants and parish councils at a minimum.

I think we need a lot more information from the Pension Board. While I voted "nay" on the proposal for increased funding as a protest vote, I know the plan requires more funding and needs it quickly. I am glad the proposal, if confirmed by the Holy Synod, will give our us breathing room to work with the Pension Board to create and implement a solid retirement plan for our clergy and church workers. However, it would be an utter failure if our fall 2023 meeting is a repeat of this meeting in terms of information and understanding.

I would like to end on a personal note. First, you may have perceived my impatience and disappointment during our pension discussion, and for showing both, I apologize. Second, I left our meeting rather abruptly after the pension items were finished. While this might have looked like a churlish exclamation mark to my protest vote, it was not. My father-in-law, Steven, had died the previous day after some time in hospice care, and I wanted to get home to my wife as soon as possible. My judgement was that "as soon as possible" in those circumstances was seeing the pension discussion through, but nothing further.

Glory to Jesus Christ!

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<sup>8</sup> Of course, in the rare case there are personal details of participants revealed in reports, they must be anonymized before release.