

## **Archdiocese defends use of pension trust funds**

Rejects speculation money was mishandled

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The Catholic Archdiocese of Boston, facing criticism from some parishioners who suspect the church may have mishandled donations to clergy pension funds, is forcefully defending its oversight of the millions of dollars collected to benefit priests each Easter and Christmas.

Alarmed by rising concern over the use of the holiday collections sparked by an actuarial document mailed to priests last month, top archdiocesan officials agreed last week to a detailed interview with the Globe about its management of clergy pension funds and pledged for the first time to make public the audited financial statements of all four of its separately incorporated trusts to benefit priests, although not until late next year.

The document mailed to priests made it clear that the archdiocese has not set aside enough money to pay for the retirement of priests. Especially shocking to some was the revelation that the archdiocese had not contributed to its Clergy Retirement Fund for 16 years, from 1986 to 2002, despite receiving nearly \$5 million a year in contributions from collections that many parishioners believed were intended for the benefit of retired priests.

But in the interview, church officials said that the money was simply placed into another trust fund for the benefit of priests and that the archdiocese had drawn from that fund, the Clergy Benefit Trust, to pay benefits for retired priests. They said they had also used the money to pay for healthcare for active priests, but that they had always intended to use the holiday collections to pay for the needs of both active and retired priests, even if such intention was not always clear to parishioners.

"Every dollar -- and this will withstand scrutiny from anyone who wants -- that has been collected by the Christmas and Easter collection was used exclusively for the benefit of priests," said Chancellor David W. Smith, the archdiocese's chief financial officer.

Smith declined to make available to the Globe the annual audited statements for the various retirement funds. But a church financial document from the early 1990s, showing disbursements from one of those funds, the Clergy Benefit Trust, appeared to support Smith's contention. The document showed that the money collected was deposited into the Clergy Benefit Trust and was used to pay bills for priests, including medical costs and funeral expenses.

Interviews and a review of documents provided by priests and parishioners make clear that there was little precision or consistency in the way that the purpose of the Easter and Christmas collections has been described to potential contributors. Some people, including priests, understood that the funds were intended solely for the care of retired priests, an understanding that the archdiocese says was mistaken.

The Council of Parishes, a coalition of 15 parishes that have closed or are slated to be closed, has collected a large number of documents from priests and church officials that the organization argues raise questions about the archdiocese's use of the Easter and Christmas collection money and overall stewardship of clergy retirement planning. Among the documents, which the organization showed to the Globe, are canceled checks from a parishioner to the Christmas and Easter collections with the words "retired priests" written on the line spelling out the purpose of the checks.

The Council of Parishes is collecting signatures on a petition asking Attorney General Thomas F. Reilly to investigate a "misapplication of donated funds," and Reilly's spokesman has said the office will look into any complaint.

Archbishop Sean P. O'Malley has made restoring trust a priority following the clergy sexual abuse crisis, but critics say he has been slow to deliver on pledges of financial transparency and therefore has allowed suspicion to grow.

"Until the archdiocese comes to full transparency and tells people exactly what they're doing with their money, people are going to be very reluctant to give," said Cynthia Deysher, a cochairman of the Council of Parishes. Peter Borre, the other co-chairman, said simply, "We're entitled to know."

The archdiocese insists it is moving toward transparency. Smith said the church's central fund is publicly disclosed, all parishes are expected to publicly disclose their finances and that the church-controlled hospitals publicly report their finances. And, he said, the archdiocese is now pledging to disclose the funding of clergy benefits, but only after it implements changes to the retirement program.

"We're not asking people to give into a black hole," he said. "That might sound good to say, but it's a wholly unfair representation. Those entities that solicit gifts are public."

In many ways, the deterioration of the church's retirement finances mirrors what has happened throughout corporate America.

In the late 1990s, the archdiocese's investments earned strong returns. Since the stock market peaked in 2000, most funds, including the church's, have had meager returns.

But in other ways, the church has retirement problems that the typical company does not have. "We are in a different industry," said the Rev. Robert L. Connors, the secretary for ministerial personnel at the archdiocese. "We have to take care of people." That care includes paying health benefits for retired priests. Retiree healthcare costs have been rising at a double-digit clip in recent years, benefit specialists say.

In 2004, the archdiocese spent \$5.6 million for clergy medical care, according to a report prepared for the archdiocese by Towers Perrin, a consulting firm. Parishes are billed each year for priest medical expenses, but the money they contribute pays only a portion of total cost. The rest comes from the trust funds.

On top of that the archdiocese pays the bills for 66 retired priests who live in either an old-age home or assisted living facility and 10 in a nursing home. The average monthly cost for assisted living is \$3,500 a person; the monthly nursing home bill is \$8,000. The archdiocese supports a total of 265 retired priests.

The church is unique in another regard: it has a very old workforce. The average age of active priests is 58. "The money has to go out real soon," said Smith.

In its report, Towers Perrin said the mismatch between the church's resources and obligations had to be addressed. "The funds will likely be depleted in 10 years if the status quo is maintained," the report stated.

Connors said the church hopes to narrow the gap by having priests with assets contribute more towards the cost of their care.