

Diocese of Pensacola-Tallahassee

Finance Commission Meeting

November 8th, 2022

Minutes

The Diocesan Finance Commission met Tuesday, November 8th, at 4 pm. In attendance and participation via conference call were: Mr. Robert Emmanuel, Fr. Doug Halsema, Mr. Eric Nickelsen, Dr. William Simmons, Ms. Kathy Crowley, Mr. Ed Largaespada, Bishop William Wack, Mr. David Ell, and Mr. Nicolas Bray.

The Meeting began at 4 PM with a prayer from Bishop Wack.

The agenda was approved.

The minutes from previous meeting were approved.

Recap of Activities: Mr. Largaespada informed the Finance Committee; property insurance premiums are expected to increase by 20%. Property construction cost are rising 20%-30%, and with Hurricane Ian, it could cause premiums to rise towards 40%-50%. The Diocese has been looking at ways to reduce premium expense by increasing deductibles or reducing the top portion of insurance maximum coverage. Mr. Emmanuel asked what the Diocese current deductible is. Mr. Largaespada stated 5% of building values. As it tends to be high the Diocese has asked most of the parishes to make deposits into their savings to cover, but most parishes still don't have enough in savings to cover their deductible.

The offertory enhancement campaign has kicked off and begun. The Diocese is wanting more parishes to join.

School financials have continued to break even. Cash balances have increased, but expenses have increased as well.

Parishes financial status has been similar to schools. Parishes cash has increased due to capital campaigns and are operating in a positive way. Mr. Emmanuel asked if we're starting to see a softening in offertory. Mr. Largaespada mentioned offertory remains flat at only a 1% increase.

Medical Renewal: Mr. Largaespada worked with Dr. Simmons last year regarding the medical renewal and hopes to work with him again. The Medical Program is expected to run a deficit. The deficit will be at least 15%, so premiums will need to increase 15% to offset. 15% is high, is plans are expected to be 10% for the standard plan and something lower for high deductible.

According to Mr. Largaespada, the Diocese ran an employee survey and it favored the current pharmacy 2 to 1, then the previous pharmacy and captured savings. The previous plan allowed members to lose mail order prescriptions, compared to the new plan where members can go to the CVS directly, as people wanted.

Mrs. Crowley asked if the diocese has looked into only offering a high deductible plan, but matching funds into an HSA. Mr. Largaespada stated our plan is like that. We are trying to lose more people on the standard plan with the increase of premiums and make the high deductible plan more attractive, with a

lower increase in premiums. As of now the numbers are even on both plans- standard and high deductible.

Mr. Emmanuel mentioned that is what his firm recently did and it was successful. Mr. Largaespada mentioned the Diocese deposits funds to an HSA for all High deductible plans including- Priest, individual, and family plans. He also reviewed a recap of premiums: 2 years of no increase, last year a 5% increase- which was half of inflation to match benchmarks.

Mr. Largaespada reviewed other benefits as well. 401K considerations to allow 3 months vs 1 year wait time for enrollment. The match % is under consideration as well. The updated mileage reimbursement is going from \$0.45/mile to \$0.60/mile; the IRS allows for up to \$0.63/mile, as the Diocese is just under.

Mrs. Crowley asked if the match % is going up or down? Mr. Largaespada stated the idea is to go down by looking at the max number of years and allocating. The idea is to make it flatter, vs the spike for employees who have been here a long time.

Mr. Largaespada asked Mrs. Crowley what she sees in the market. Mrs. Crowley mentioned 3-4% match is common and our current model increases longevity. Dr. Simmons reiterated the problems with new hires and longevity. Mr. Ell mentioned the struggles to retain employees and incentive people to come is happening in all industries.

Investment Report: Mrs. Crowley provided the Finance Committee with an update in the change of reporting from Merrill Lynch. Merrill Lynch has provided the 401K overview for the health of the plan, with Priest Pension and Foundation both separate.

As of 9/30 the current portfolio is down 17%. They have asked Merrill Lynch to consolidate some of the funds. Combining account structure of funds will make it easier to manage. Michael Bell has been working on the Catholic screening or a hybrid model of Catholic screening. Tom from Blackrock's data dependent with unemployment, not just inflation.

The Investment committee has created their purpose and investment statement regarding cash funds. Mrs. Crowley asked if there was any movement on the Priest Pension to operate separately and have committee oversee the funds. Mr. Largaespada stated the process is already in place and the name of account change is done so everything looks as intended. Don't have members yet to form a separate committee to give off Priest Pension. Right now, the target is a 3% distribution as withdrawal rates and equities are looked at. No action yet however with committee.

Pastoral Center: Mr. Largaespada reviewed the performance of the Diocese stating it's in good standing with exception to investments. Gain and losses are related to market. The balance sheet shows good liquidity. Investment balances are down due to market.

Deposit and Loan: The Deposit and Loan is suffering success of parishes and schools receiving cash to pay loans off and be positive. More expenses related to interest on savings accounts with higher cash balances as well. All loans are current. Deposit and Loan is operating a net \$101K loss, compared to a \$51K loss last FY.

SIF: SIF Fund investments are down \$2.7MM and cash balance down \$1.37K from a year ago. Significant amount of cash from investments to cover Hurricane Proceeds from Michael for St Dominic. SIF as a

whole tight on operations with medical deficit of \$100K as a result of 2 high claims- 1 in standard plan and 1 in High Deductible.

Plant: Plant fund sustains positive. The intercompany account has been negative for quite some time. We have been working at reducing it and making it stable. Added additional leases to pay for maintenance and repairs for those type of properties.

In Summary the combined cash balance has gone from 46.1mm to \$32.7mm. Loans have gone from 10.5mm to \$12.1mm. Total liquid net is down \$9mm, while net total is \$75mm compared to \$87mm a year ago.

Mr. Emmanuel opened the floor for discussion. Bishop Wack's 1 takeaway is the Diocese has been generous with benefits. 401K, Pension Plan, all fully funded and the Diocese has made decisions to go beyond. We can do a lot more, but were getting there. Mr. Emmanuel stated the Diocese has taken comparative measures that compared well with benchmarks and is happy with plans.

No new business.

Bishop closed in Prayer.

Meeting was adjourned.