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Francis warns cardinals against becoming a 'closed caste'

By JOSHUA J. McELWEE

VATICAN CITY · Forcefully repeating his message of engagement and of reaching out to those marginalized by society, Pope Francis in February told the world's Catholic cardinals they cannot become a "closed caste" of prelates who do not turn to the outcast or to those in need.

Speaking during a homily at a Mass Feb. 15 with some 160 cardinals from around the world, Francis again outlined for the high prelates a powerful vision of a church marked first by seeking out others and by welcoming them, no matter their situation in life.

The credibility of the church on the Christian message, the pope said, rests entirely on how Christians serve those marginalized by society.

"Dear brothers," Francis told the cardinals, "I urge you to serve the church in such a way that Christians — edified by our witness — will not be tempted to turn to Jesus without turning to the outcast, to become a closed caste with nothing authentically ecclesial about it."

Urging the prelates "to serve Jesus crucified in every person who is marginalized," the pope said they must "see the Lord present even in those who have lost their faith, or turned away from the practice of their faith, or who have declared themselves to be atheists."

"We will not find the Lord unless we truly accept the marginalized," the pope exhorted. "Truly, the Gospel of the marginalized is where our credibility is at stake, is found and is revealed."

Francis was speaking at a Mass in St. Peter's Basilica to mark the cre-

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—James Karales/©Estate of James Karales/David M. Rubenstein Rare Book & Manuscript Library/Duke University
The Selma-to-Montgomery March for voting rights in Alabama in 1965

Catholics from across the US were prominent in 1965 Selma march

By PAUL MURRAY

The voting rights demonstrations led by Dr. Martin Luther King Jr. 50 years ago in Selma, Ala., are among the most significant events of the modern civil rights movement. They successfully rallied supporters of racial justice behind the need for government action to protect the right to vote long denied to African-

Americans. The Voting Rights Act, described by many as the single most important piece of legislation passed by Congress in American history, was a direct result of the Selma protests.

Catholics played a prominent role in Selma, much more than in previous civil rights demonstrations. Never before had Catholic activists turned out in such large numbers. Now, on the

50th anniversaries of Bloody Sunday and the Selma-to-Montgomery march, it is fitting to honor those who participated in these historic events in March 1965.

Early in 1965, Edmundite Fr. Maurice Ouellet, pastor of St. Elizabeth's African-American mission in Selma, answered a knock at his door. He was surprised to

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Survey finds serious flaws in diocesan financial management

ANALYSIS

By JACK RUHL

The Catholic priesthood is aging at an alarming rate, and thousands of U.S. diocesan priests are expected to retire within the next few years. With most diocesan priest pension plans significantly underfunded, questions over where the money comes from to support them may point to a major crisis in the making.

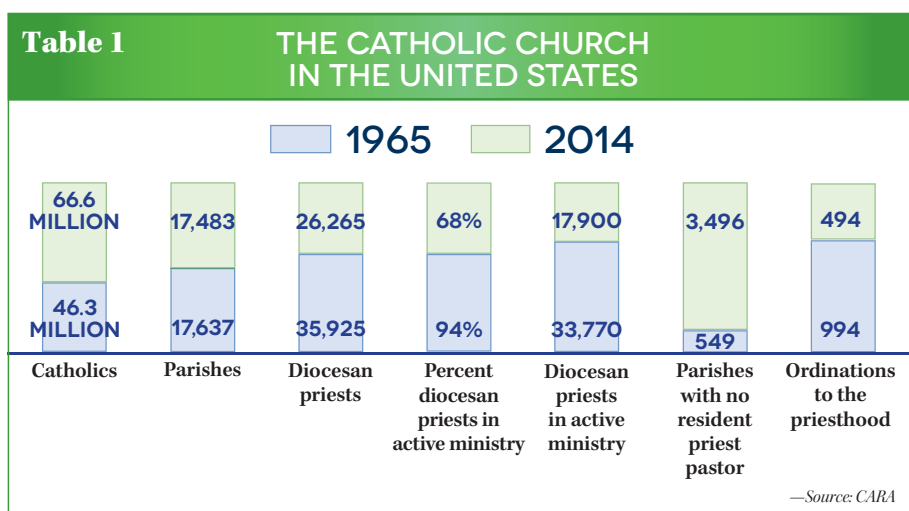
Fewer than 26,265 diocesan priests remain in the U.S. today and of them, only 68 percent — about 17,900 — are still in active ministry (Table 1). Only about one-third as many new priests are being ordained each year to make up for the ones who are retiring, dying or leaving active ministry. Dioceses now have one retired priest for every two active priests, and half of all priests in active ministry are over the age of 60.

Half of all priests currently in ac-

tive ministry also expect to retire by 2019, and most of them expect to receive the pension payments they've been promised. Church leaders have known for decades about the looming priest shortage and its implications

for sustaining Catholic parishes as eucharistic communities. Another, more hidden crisis lurks in diocesan pension reserves that are underfunded, many of them seriously.

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This issue was mailed on Feb. 20.

FINANCIAL: HEALTH OF RETIREMENT PLANS

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Thousands of priests retiring in the next few years could discover that the pension and post-retirement money they expect from their dioceses is not available. I reviewed the results of the USI Consulting Group's 2012 Diocesan Retirement Survey of priests and lay employees, focusing on priests. USI Consulting Group, founded in 1981 and headquartered in Glastonbury, Conn., provides retirement and employee benefit plan services throughout the United States.

The survey was sent to 194 archdioceses and dioceses. Responses were received from 97 dioceses, a 50 percent response rate, in 42 states as well as Canada, the Bahamas and Guam. The survey asked about defined benefit and defined contribution plans, but did not ask about post-retirement benefits (e.g., medical, dental, continuing education,



ON THE WEB
USI Consulting Group's 2012 Diocesan Retirement Survey
www.usicg.com/survey/diocesan/Diocesan_Survey_Results_2012.pdf

For a more detailed version of Exhibit 1, with all U.S. Latin-rite dioceses, visit NCRonline.org/node/96656.

and life insurance benefits).

Employers sponsoring a defined benefit pension agree to provide vested participants with a set amount of income for the duration of retirement. A defined benefit pension plan describes the benefits priests will receive when they retire. The benefits are a function of their years of service and age at retirement. Employers sponsoring a defined contribution plan state that they will provide a certain amount each pay period, and employees manage their own retirement funds. Plans such as 401(k)

Defined Benefit (qualified)	58.4%
Defined Benefit (non-qualified)	29.2%
Defined contribution — 401(k)	7.9%
Defined contribution — 403(b) (with diocesan contribution)	15.7%
Defined contribution — 403(b) (without diocesan contribution)	27%
Other	6.7%

Source: USI Consulting Group 2012 Diocesan Retirement Survey

are defined contribution plans. Employers sponsoring defined benefit plans take on much more risk than those who sponsor a defined contribution plan.

As shown in Table 2, 87.6 percent (58.4 percent plus 29.2) of priests are offered a defined benefit pension plan.

At first, the high percentage (87.6

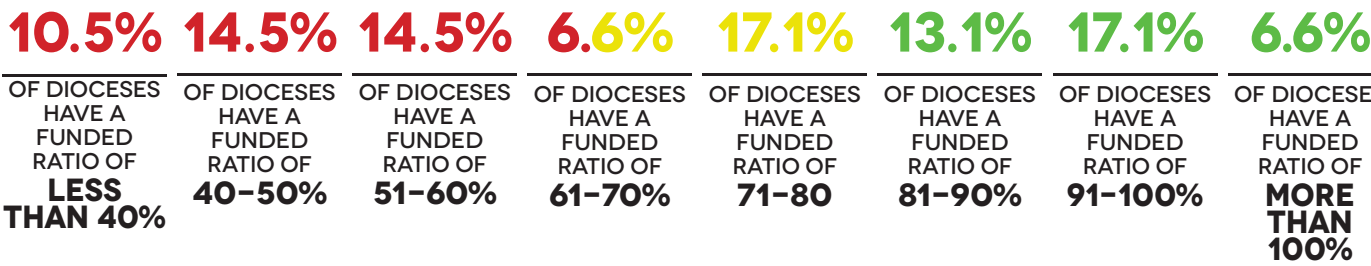
percent) of priests covered by defined benefit plans seems reassuring. However, an important next question is the level of plan funding. The USI Consulting Group's survey also asked for the plan's funded ratio from the most recent valuation. The funding ratio is calculated like this: If pension obligations are \$100 million, and the assets available to meet those

Exhibit 1 PENSION PLANS IN US LATIN-RITE DIOCESES THAT PROVIDE

DIOCESE	STATE	PRIESTS' PENSION ASSET (LIABILITY)	PENSION FUNDING RATIO	PENSION FUNDING ZONE
AMARILLO	TX	\$(341,462)	91%	GREEN
ANCHORAGE	AK	\$2,925,700		
ARLINGTON	VA	\$(7,049,275)	57%	RED
ATLANTA	GA	\$(7,001,146)	60%	RED
AUSTIN	TX			
BALTIMORE	MD	\$(14,424,800)	64%	RED
BEAUMONT	TX			
BELLEVILLE	IL	\$(3,100,000)		
BISMARCK	ND			
BOISE	ID	\$(6,905,000)	39%	RED
BOSTON	MA	\$(42,040,000)	48%	RED
BROOKLYN	NY			
BUFFALO	NY	\$4,700,000	11%	GREEN
BURLINGTON	VT	\$(96,639)	99%	GREEN
CHARLOTTE	NC	\$(15,602,000)	25%	RED
CHEYENNE	WY	\$(1,060,291)		
CHICAGO	IL	\$(49,103,000)	95%	GREEN
CINCINNATI	OH	\$(85,313,083)	5%	RED
CLEVELAND	OH			
COLORADO SPRINGS	CO	\$(1,664,488)		
CORPUS CHRISTI	TX	\$(2,009,286)	61%	RED
DALLAS	TX	\$(5,214,892)	54%	RED
DAVENPORT	IA			
DENVER	CO			
DES MOINES	IA	\$(2,723,711)	78%	YELLOW
DETROIT	MI			
DUBUQUE	IA	\$125,264	101%	GREEN
DULUTH	MN	\$(3,185,301)	60%	RED
ERIE	PA	\$(7,365,907)	46%	RED
EVANSVILLE	IN			
FARGO	ND			
FORT WORTH	TX	\$829,885	119%	GREEN
GALVESTON-HOUSTON	TX	\$(77,705,159)	60%	RED
GARY	IN	\$(4,341,120)	66%	YELLOW
GAYLORD	MI	\$(3,830,854)	57%	RED
GREEN BAY	WI			
GREENSBURG	PA	\$(2,179,070)	79%	YELLOW
HONOLULU	HI			
INDIANAPOLIS	IN	\$(10,179,698)	49%	RED
JEFFERSON CITY	MO	\$(2,931,184)	76%	YELLOW
JOLIET	IL	\$2,047,000	107%	GREEN
JUNEAU	AK			
KANSAS CITY	KS	\$(5,483,083)	48%	RED
KNOXVILLE	TN	\$(2,320,089)	64%	RED
LA CROSSE	WI			
LAREDO	TX	\$(365,710)	66%	YELLOW
LAS CRUCES	NM	\$(1,617,360)	30%	RED
LITTLE ROCK	AR			
LOS ANGELES	CA	\$(4,754,000)	91%	GREEN
LOUISVILLE	KY			
LUBBOCK	TX	\$(1,890,374)	43%	RED

DIOCESAN PLANS' FUNDED RATIO, RATED USING US DEPARTMENT OF LABOR CRITERIA

Table 3



SECULAR STATUS

RED = CRITICAL • YELLOW = ENDANGERED • GREEN = STABLE

Source for funded ratios: USI Consulting Group 2012 Diocesan Retirement Survey

obligations are \$55 million, the plan would be 55 percent funded. Funded ratios apply only to defined benefit plans.

There is reason to be concerned if the pension plan is severely underfunded, because the employer may not be able to meet the financial ob-

ligation as employees retire. In the secular world, employees in defined benefit plans enjoy some protection under the Employee Retirement Income Security Act (ERISA) of 1974 and the Pension Protection Act of 2006. ERISA established a federal agency, the Pension Benefit Guaranty

Corporation, which had the power to place liens on corporate assets for unfunded pension liabilities. The agency could also administer terminated pension plans. That is, if the secular employer went bankrupt, the agency would step in and pay a fraction of the pension due the employee.

In the secular world, the Department of Labor requires certain disclosures about pensions that are not required in the sacred world. If a plan is more than 80 percent funded, it is categorized as being in the green zone. If a plan is 65-80 percent funded, it is categorized as being in the yellow zone, or in endangered status. Yellow zone plans must adopt a funding improvement plan.

Defined benefit plans that are less than 65 percent funded are categorized as being in the red zone, or in critical status. Red zone plans must adopt a rehabilitation plan and must notify all those enrolled in the pension plan. The Department of Labor provides a listing of all red or yellow plans for for-profit firms on its website. The department provides no such disclosure for religious organizations.

Neither the Department of Labor, nor ERISA, nor the Pension Protection Act offers any pension protection to priests. Dioceses are not required to disclose any pension funding information to enrollees, and the Pension Benefit Guaranty Corporation will not step in to supply benefits if dioceses do not or cannot. Therefore, I was especially interested in reviewing the funding status of priests' defined benefit pensions. The USI Consulting Group survey provided this information in the aggregate for all survey respondents.

Table 3 shows that 36.8 percent of diocesan defined contribution plans were in the green zone, while 63.2 percent are in yellow (endangered) or red (critical) zones. If these plans were subject to the Department of Labor requirements, most of them would have to adopt either a funding improvement plan or rehabilitation plan.

While the survey information was interesting, I wanted to know the health of specific diocesan priests' retirement plans in the U.S. In the secular world, the best way to determine the financial health of such a plan is to check the financial statements of the employing organization.

Catholic dioceses, however, are under no obligation to release any financial information whatsoever, in the form of audited financial statements or IRS-mandated disclosures. While other nonprofits must file Form 990 (Return of Organization Exempt From Income Tax) with the Internal Revenue Service, or IRS Form 5500 (Annual Return/Report of Employee Benefit Plan), the church is under no such obligation. Any diocesan financial disclosures are purely voluntary.

Still, I searched for the financial disclosures of the 178 Latin-rite dioceses that belong to the U.S. Conference of Catholic Bishops. To find out the status of the priests' pension funds, a search was done of the websites of the dioceses for any sort of financial disclosure for fiscal year 2013. Of the 178 dioceses, only 102 have financial information available. The other 76 release no financial information, as far as I could determine.

The quality of financial disclosures varies dramatically. Some dioceses post a full set of audited financial statements on their websites. Others post unaudited "stewardship reports," "annual reports" or "financial reports" on their websites or publish them in the diocesan newspaper. These are useless for determining diocesan financial health, let alone the pension plan's health. The laity think

FINANCIAL INFORMATION FOR FISCAL YEAR 2013

PRIESTS' POST-RETIREMENT OBLIGATION	POST-RETIREMENT FUNDING RATIO	POST-RETIREMENT FUNDING ZONE
YES		
\$(7,484,062)	0%	RED
\$322,838	107%	GREEN
\$(13,354,485)	37%	RED
\$(5,642,955)		
\$(39,759,000)	0%	RED
\$(1,690,335)	0%	RED
\$(10,196,536)		
\$(162,982,000)	3%	RED
\$(5,078,000)	0%	RED
\$(8,488,280)	0%	RED
\$(3,127,669)	0%	RED
\$(4,881,139)	0%	RED
\$(3,739,633)	0%	RED
	0%	RED
\$(34,361,346)		
YES		
\$(154,213)	98%	GREEN
\$(13,205,000)	17%	RED

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FINANCIAL: MOST DIOCESES OMIT INFORMATION IN DISCLOSURES

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that they are obtaining useful information by reading them, when in fact they are obtaining nothing.

A stewardship report, annual report or unaudited financial report is nothing more than an unsupported assertion by the diocese. In the secular world, an audited financial statement provides support for management's assertions with numbers and explanations. A stewardship report, annual report or unaudited financial report may be incomplete, and thus useless.

A report is incomplete if it lacks a statement of financial position that quantifies diocesan assets (like cash and buildings) and liabilities (like amounts owed to clergy abuse survivors). It is also incomplete if it lacks a statement of cash flows, which shows if the diocese has sold assets or borrowed or loaned money. Finally, it is incomplete if it lacks disclosure notes, which state exactly what is being accounted for — for ex-

ample, just the chancery — and what is not being accounted for — for example, the priests' pension fund, parishes, cemeteries and lots more. The New York archdiocese's Financial Services Report found at archny.org/documents/2014/9/2013_Financial_Report.pdf is a good example of an unsupported and incomplete set of assertions.

Of the 102 dioceses providing some level of financial information, only 61 have pension information that they make publicly available. According to the Official Catholic Directory for 2014, there are 11,093 diocesan priests domiciled in these 61 dioceses. Given that the Center for Applied Research in the Apostolate (CARA) says there are 25,634 priests in the U.S. Latin-rite dioceses, the information I gathered relates to about 43 percent of the total U.S. diocesan priests.

Almost without exception, U.S. dioceses end their fiscal year on June 30 and they are typically a year in arrears in reporting financial results, mean-

ing that by August 2014 they were just releasing financial statements for the fiscal year ended June 30, 2013. When the diocesan website had no financial disclosures, I sent an email to the chief financial officer of the diocese, asking him or her to email me the fiscal year 2013 financials. Most of my emails received no reply.

Accountants take an entity perspective with regard to financial reporting. This means that financial statements prepared in accordance with generally accepted accounting principles must state in the disclosure notes what is being accounted for and what is excluded. The majority of dioceses define the accounting entity very narrowly. This allows for the omission of a great deal of information.

Typically, the diocesan entity was defined as only the chancery, central ministries or central administrative offices. The disclosure notes to the financial statements usually state that parishes, schools, cemeteries (there are 1,900 Catholic cemeteries

PENSION FUNDING INFORMATION FROM 61 DIOCESES Table 4

54% OF THE DIOCESES ARE FUNDED **LESS THAN 65%**

20% OF THE DIOCESES ARE FUNDED **65-80%**

26% OF THE DIOCESES ARE FUNDED **GREATER THAN 80%**

SECULAR STATUS
 RED = CRITICAL
 YELLOW = ENDANGERED
 GREEN = STABLE

in the United States), old-age homes, and sometimes pension funds were excluded. This is the case for the dioceses of Cheyenne, Wyo., and Detroit, for example. Dioceses are allowed to exclude these other entities by assert-

Exhibit 1 PENSION PLANS IN US LATIN-RITE DIOCESES THAT PROVIDE

Continued from Pages 10-11

DIOCESE	STATE	PRIESTS' PENSION ASSET (LIABILITY)	PENSION FUNDING RATIO	PENSION FUNDING ZONE
MADISON	WI	\$(2,147,000)	87%	GREEN
MANCHESTER	NH	\$(14,834,433)	33%	RED
MEMPHIS	TN	\$10,136	100%	GREEN
METUCHEN	NJ	\$(13,582,146)		
MIAMI	FL			
MICHIGAN CATHOLIC CONFERENCE (PARTICIPATING DIOCESES INCLUDE GRAND RAPIDS, KALAMAZOO, LANSING, MARQUETTE AND SAGINAW)	MI	\$(2,380,867)	77%	YELLOW
MILWAUKEE	WI	\$(2,000,000)	94%	GREEN
NEW ORLEANS	LA	\$(33,779,053)	0%	RED
OAKLAND	CA	\$(4,919,000)	74%	YELLOW
OGDENSBURG	NY			
OKLAHOMA CITY	OK	\$(9,744,902)	24%	RED
ORANGE	CA	\$(10,993,000)	44%	RED
ORLANDO	FL			
OWENSBORO	KY	\$(2,260,175)		YELLOW
PALM BEACH	FL			
PATERSON	NJ	\$(17,785,506)	46%	RED
PENSACOLA-TALLAHASSEE	FL	\$(770,244)	91%	GREEN
PHILADELPHIA	PA	\$(91,949,477)	1%	RED
PITTSBURGH	PA			
PORTLAND	ME	\$(17,568,103)		
PORTLAND	OR	\$(12,727,490)	54%	RED
PROVIDENCE	RI	\$(12,500,000)	52%	RED
RALEIGH	NC	\$(7,155,867)	60%	RED
RICHMOND	VA	\$(11,199,668)	51%	RED
ROCHESTER	NY	\$(5,000,000)	76%	YELLOW
ROCKVILLE CENTRE	NY	\$(3,439,170)	89%	GREEN
SALT LAKE CITY	UT			
SAN ANTONIO	TX			
SAN FRANCISCO	CA	\$330,000	102%	GREEN
SAN JOSE	CA	\$(10,604,000)	41%	RED
SANTA ROSA	CA	\$(2,135,000)	76%	YELLOW
SAVANNAH	GA	\$(1,201,961)	85%	GREEN
SCRANTON	PA	\$(12,132,024)	51%	RED
SEATTLE	WA	\$(18,418,000)	29%	RED
SIOUX CITY	IA			
SPRINGFIELD-CAPE GIRARDEAU	MO			
ST. AUGUSTINE	FL		65-80%	YELLOW
ST. LOUIS	MO	\$(126,310,000)	0%	RED
ST. PAUL-MINNEAPOLIS	MN			
ST. PETERSBURG	FL			
SYRACUSE	NY			
TYLER	TX	\$(4,304,457)	34%	RED
VENICE	FL			
WASHINGTON	DC	\$(8,317,846)	73%	YELLOW
WINONA	MN	\$141,015	101%	GREEN
YAKIMA	WA			
YOUNGSTOWN	OH			
TOTAL:		\$(820,848,371)		

