



DIOCESE OF SACRAMENTO

2110 Broadway • Sacramento, California 95818 • 916/733-0277 • Fax 916/733-0295

Finance

March 3, 2023

Dear Pastors, Parochial Administrators, Parish Stewards, Parish Finance Council Members, School Principals and Bookkeepers:

As you begin preparation of your parish and parish school budgets for the 2023/2024 fiscal year, please consider the following guidelines/assumptions:

Expenditure Category	2023/2024 Guideline/Assumption
Teachers and Principals Salaries	Catholic School Department to provide salary guideline
Lay Salaries adjustment guideline	4.5% salary increase
Lay Employee Pension Plan contribution rate	8.5% of gross payroll
Lay Employee Health Premiums	Kaiser increase +16.25%; Blue Shield increase +2.25%; VSP Vision decrease -14.3%; Delta Dental decrease -2.3%
Minimum Wage increase	None scheduled for 2024. <i>Most recent increase took effect 1/1/23 which increased min wage to \$15.50 per hour with Exempt Salary Min. increased to \$64,480 per year</i>
Priests Salaries	4.5% salary increase, plus years-of-service step increase
Priests Pension Plan contribution rate	07/1/23 - 6/30/24... 2% increase to \$12,067 /yr.
Priests Health\Dental\Vision Premiums	Assume \$1,150/mo. or \$13,800/yr.
Property Insurance (1)	Assume 30.0% increase
Liability Insurance (2)	Assume 5.0% increase
Auto Insurance	Assume 5% increase
Workers Compensation Insurance Rate	Assume 2.0% increase
Unemployment Insurance Rate	Estimate at 0.7% of gross payroll

(1) Property premiums may also be impacted by additions or deletions of parish properties as well as new appraisals.

(2) Liability premiums may also be impacted by additions or deletions of parish properties, new appraisals, and increases or decreases in payroll.

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The above noted guidelines are based upon the best information available at this time. I have enclosed a letter from Catholic Mutual Group regarding the significant increases in property and liability premiums for FY 2023/2024. We believe that the Self-Insurance Fund budget will be able to absorb much of Catholic Mutual Group's liability premium increase, but a much lesser portion of the property premium increase. We will inform you of any significant changes as they arise.

It is always prudent to budget conservatively. Avoid assuming unproven increases in offertory revenues, tuition or fundraising revenues in order to balance the budget. It is better to be surprised by a better than projected financial outcome, rather than be forced to react to an unplanned shortfall.

The Parish Finance Council should play a key role in the development of the parish budget, including a thorough review of the parish school budget, if applicable. The Council should plan to meet more often during this first half of 2023, even monthly. An initial meeting should be held to review year-to-date results versus the current year's budget; to hear from the Pastor or Parochial Administrator regarding pastoral considerations for the coming fiscal year; and to discuss the general approach and assumptions to be used in preparing the initial draft of the 2023/2024 fiscal year budgets for both the parish and parish school.

Subsequent meetings should include a review of the successive draft budgets. It should be expected that the Council will need to review two-to-three budget drafts before a final budget is recommended for the Pastor or Parochial Administrator's approval. A final recommended budget for parishes should be presented to the Pastor or Parochial Administrator by the end of **May 2023**. A final recommended budget for the parish school, if applicable, should be presented to the Pastor or Parochial Administrator via the Parish Finance Council, no later than **May 2023** or earlier if required.

Thank you for your continued stewardship of parish resources. If you have any questions regarding these assumptions, please call me at 916-733-0288.

With kind regards, I am

Sincerely yours in Christ,

Thomas J. McNamara
Chief Financial Officer

Copy: Rev. Christopher R. Frazer, Vicar General



**CATHOLIC
MUTUAL GROUP**
Commitment. Expertise. Stability.

February 9, 2023

Most Reverend Jaime Soto, D.D., M.S.W.
Diocese of Sacramento
Pastoral Center 2110 Broadway
Sacramento, CA 95818-2541

RE: 2023 Renewal Conditions/Pricing

Dear Bishop Soto:

Catholic Mutual Relief Society of America held its November 2022 annual meeting in Baltimore, during which we provided an update to our Member Arch/bishops with our current operating performance. This included a follow up to our October Audit Report and letter, and our expectations with 2023 market conditions and renewal pricing. We conveyed that Catholic Mutual's 2021 claims experience developed substantially in 2022 and highlighted poor investment returns.

Unfortunately, 2022 ended as one of the worst years in insurance industry history. Property loss ratios exceeded 100% for many companies and rates were on the rise. In fact, the fourth quarter of 2022 was the 20th consecutive quarter of increasing rates; this was unprecedented in recent insurance industry history. Catholic Mutual's claims activity for 2022 continues to rise as the result of higher property claims costs as well as new and developing liability and sexual misconduct losses.

Our reinsurance renewal, effective January 1, 2023, was also unprecedented and presented many challenges and complexities. Challenges included placement issues, capacity limitations, inflation, significant rate hikes, significant property valuation increases, and changes to coverage terms and conditions. Reinsurers also mandated substantial retention increases to our property reinsurance program. In short, Catholic Mutual's loss experience, investment losses due to the market, and inflationary pressures linked to increased claims costs and large jury verdicts, will impact our renewal pricing significantly in 2023.

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Although we take pride in our historic pricing stability, the reality is that the insurance industry is now experiencing property value increases of double digits, multi-year poor loss activity, reinsurance rate increases by 40% to 140%, and we have been impacted. We have no choice but to pass significant increases on to our members. We do not take this action lightly. As part of the Church, we recognize the budgetary impact this will have on our valued members.

The majority of our Members renew July 1st, however, we do have Members with renewal dates prior to July 1st and several who may have already had their renewal meetings. It is with regret that we could not have given the earlier renewals more specific information, however, we just finalized our reinsurance treaties mid-January. Attached is a January 1, 2023, reinsurance market update from our reinsurance broker Guy Carpenter.

Catholic Mutual exists to serve the temporal needs of the Catholic Church. Your loyalty and support allow the Society to continue to do so. We remain confident in our mission and look forward to normalization in the future. As always, if you have any questions, please feel free to call us at any time.

Respectfully yours,



Mike A. Intrieri, CPCU
President & CEO



Paul Peterson
Executive Vice President & COO

MI/PP:ard
Enclosure

CC: Mr. Thomas McNamara
Ms. Thao Dinh

Current Market Conditions Update – (Re)Insurance

January 1, 2023 Reinsurance Renewal Update (Guy Carpenter)

The January 1, 2023 Reinsurance Renewal period proved to be one of the toughest in decades. The market headwinds were driven by reduced capacity in the property arena, recent large catastrophe losses, rising interest rates, and a challenging foreign exchange environment. The marketplace saw a retrenchment of capacity from both traditional and non-traditional sources – all contributing to a convergence of factors leading to price increases and coverage restrictions/limitations. All of these factors were significant when retrospectively reviewing the January 1, 2023 renewals. Due to these factors, the reinsurers pushed for the most significant tightening of terms and conditions seen in a long time. Rate increases on Property Catastrophe programs (loss-free) were between +40% and +60% (risk-adjusted basis). Property Catastrophe programs with losses saw increases from +40% to +140% (risk-adjusted basis), and in some cases even higher given the extent of historical losses. The Guy Carpenter US Property Cat Rate Index saw the greatest increase since 2006. The index increased a record 31% for January 1, 2023 renewals. Some average rate increases were tempered by significant increases in client retentions. Casualty reinsurance programs (loss-free) increased +10% to +25%, and even higher in cases of recent losses and/or development. Severe convective storm-driven programs were the most difficult to complete due to recent loss experience and modeling challenges. The renewal period saw significant market focus on inflation and impact on presented values and losses. Overall, the renewal season saw an increased demand by reinsurers to reduce coverage and reinstatement provisions, as well as pushing for the most significant rate and coverage restrictions in decades.