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ESCALATING PENSION COSTS HURTING NONPROFITS

Most nonprofit organizations offering retirement benefits to their workers report that these plans are under stress, according to survey results released today by the Johns Hopkins Listening Post Project.

Nonprofits offering "defined benefit plans" (plans with a guaranteed benefit) have been particularly hard hit, with 76 percent reporting that their plans are currently under stress and 43 percent reporting severe or very severe stress. Even those offering "defined contribution plans" (plans with investments controlled by the employee and no guaranteed benefit) have been affected, however, with 58 percent reporting that their plans are under stress.

As a result, organizations have been forced to reduce retirement benefits, scale back employer matches, end future benefit accruals, and deny pension coverage to new employees, or as a last resort, divert resources from program operations. Many smaller organizations have been prevented from offering pension benefits at all.

"Retirement benefits are especially important for nonprofit organizations because they offer a way to help offset the generally lower wages paid to nonprofit workers," said Lester M. Salamon, report author and director of the Johns Hopkins Center for Civil Society Studies. "But, given the Pension Protection Act of 2006's requirement that defined benefit plans have assets in place to cover the full cost of their outstanding benefit obligations, the recent economic crisis, by decimating the value of pension assets, has provoked a crisis for the thousands of nonprofits that offer such plans."

Other findings from the Johns Hopkins survey include:

- More than two-thirds (67 percent) of all survey respondents reported offering some type of retirement benefit plan to their employees. This appears to be higher than the proportion of comparably sized for-profit firms that offer such benefits.
- More than half (58 percent) of responding organizations offer a defined contribution plan for workers and about 15 percent offer a defined benefit plan. Because defined benefit plans are more common among larger organizations, the actual share of employees in organizations providing such plans may be greater than these figures suggest.
- Coverage of nonprofit workers is extensive: 69 percent of organizations offering defined benefit plans and 54 percent of those offering defined contribution plans indicated that at least half of their employees (including both fulltime and part-time workers) participate in the plans.

To deal with the stress their retirement plans are under, responding organizations have had to make some painful choices:

Among organizations providing defined benefit plans:

- 28 percent reported prohibiting prohibited new employees from participation;
- 22 percent reported ending future benefit accruals for all participating employees; and
- Another 9 percent have blocked future benefit accruals for a portion of their workers.

Among organizations providing defined contribution plans:

- 14 percent of those offering an employer match reduced that match; and
- Another 3 percent eliminated their match altogether.

Among smaller organizations, those with one to 9 employees, the majority (58 percent) are not able to provide any retirement benefits at all.

“Nonprofit organizations employ the fourth largest workforce of any industry in our country,” noted Peter Goldberg, president and CEO of the Alliance for Children and Families and chair of the Listening Post Project Steering Committee. “We have to make sure that these workers have the protections they need to continue to make the enormous contributions they provide to our communities.”

The 412 nonprofit organizations responding to the Listening Post survey included children and family service agencies, elderly housing and service organizations, community and economic development organizations, museums, theaters, and orchestras.

The full report "Escalating Pension Benefit Costs—Another Threat to Nonprofit Survival?" is available online at http://ccss.jhu.edu.

The Listening Post Project is a collaborative undertaking of the Center for Civil Society Studies at the Johns Hopkins University Institute for Policy Studies, the Alliance for Children and Families, the Alliance for Nonprofit Management, the American Association of Homes and Services for the Aging, the American Association of Museums, Community Action Partnership, the League of American Orchestras, Lutheran Services in America, Michigan Nonprofit Association, the National Council of Nonprofits, and United Neighborhood Centers of America. Its goal is to monitor the health of the nation's nonprofit organizations and assess how nonprofits are responding to important economic and policy changes. Support for the Listening Post Project has been provided by the Carnegie Corporation of New York, the Bill and Melinda Gates Foundation, the Ewing Marion Kauffman Foundation, the Kresge Foundation, the Charles Stewart Mott Foundation, the Rockefeller Brothers Fund, and the Surdna Foundation.

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