PART II. PENSION FUNDS OF NONPROFIT ORGANIZATIONS

BY ELIZABETH T. SIMPSON

6. INTRODUCTION

Nonprofit organizations comprise a diverse group, but, in the past, statistics on their noninsured pension funds have been based mainly on funds for Protestant ministers. This paper attempts to compile more exact data for the group as a whole on total assets, their investment pattern, and the rate at which they are increasing.

The term "nonprofit organization" is used here to refer to nongovernmental organizations exempt from taxation and described in section 501(c)(3) of the Internal Revenue Code. Included are membership corporations, community chests, funds, and foundations organized and operated exclusively for religious, charitable, scientific, literary, educational, or humane purposes. No part of their net earnings may benefit any stockholder or individual, and no substantial part of their activities may be directed toward influencing legislation. Other nongovernmental exempt organizations are also discussed briefly below in the section "Other Nonprofit Organizations."

An investigation of pension plans for employees of nonprofit organizations showed reliable statistics on the size and portfolio composition of the noninsured funds reporting annually to the Church Pensions Conference and on a few similar funds for colleges, groups of independent schools, small hospitals, and other organizations. Surveys have been made by various associations of nonprofit organizations to ascertain the number of units with pension plans and the popularity of different plan features. In general, however, the surveys contribute only indirectly to knowledge of fund assets, growth rates, and portfolio composition.

This paper presents (by methods discussed in app. II) fairly comprehensive data on noninsured funds and the first estimates of reserves of insured plans for nonprofit organizations. The latter cover the years 1958–64. Pay-as-you-go pension plans are practically unfunded and have, therefore, been excluded.

The Standard Industrial Classification includes most nonprofit organizations under these major group headings: medical and other health services; educational services; museums, art galleries, and botanical and zoological gardens; nonprofit membership organizations; and miscellaneous services.[1] Historically, nonprofit retirement programs can be divided into four categories: religious bodies, educational institutions, hospitals, and other nonprofit organizations. The Standard Industrial Classification includes religious bodies and

[1] It should be noted that several of these headings also include profit-seeking organizations, but only nonprofit organizations will be included in this paper.