

ably had a lower mean rate of return and risk of not receiving such a return annually than shown for CREF. How much lower these rates would be would, of course, depend on how they had chosen to divide their contributions between the two companion organizations. It is possible that the return to the average participant in noninsured pension funds of nonprofit organizations and to the average participant in TIAA-CREF might be similar. The return to the average participant in pension plans carried with agency insurance companies would probably be lower unless their reserves were kept in separate accounts.

The series for noninsured pension funds of nonprofit organizations shown in table II-13 and the chart are aggregates of numerous funds. Managers of the individual funds may wish to apply the formula to their data and compare the results with those shown in the table.

10. CONCLUSIONS

Although many of the pension funds of nonprofit organizations have been in existence 40 to 50 years or longer, there are good reasons for believing that the group as a whole will continue to show a fairly substantial growth rate. This is in contrast to the normal pattern as shown by corporate pension funds. The latter have been increasing, but at a consistently declining rate.

There are two major reasons for the expected steady growth in nonprofit pension funds: first, only about one-third of all units of nonprofit organizations had pension plans at the end of 1960 and only about one-fifth of the employees were eligible for coverage; second, once some individuals have the prospect of a small income after retirement, they realize they need more. As pointed out by Cagan,¹⁷ economists are aware of the tendency of group pension plans and GI insurance to cause certain individuals to increase their saving in other forms. Employees of nonprofit organizations other than ministers only became eligible for OASI coverage in 1951, and ministers in 1955. Most employees are now covered, also a large proportion of Protestant ministers, rabbis, and some Catholic priests. For those covered by OASI, but not by a private plan, it is not difficult to see that income after retirement will probably be low compared to needs. In general, directors of nonprofit organizations are aware of this fact and are trying to establish pension plans or raise low benefits through increased premium assessments.

The groups for which pension funds are expected to expand markedly are lay employees of religious bodies; lay teachers and other employees of parochial schools and private schools; hospital workers, especially registered nurses and nonprofessional employees other than clerical workers and nonprofessionals in Catholic and Protestant charitable organizations. There are also indications of substantial future growth in funds for retirement or support of aged Catholic priests.

It must be noted that the expected growth in pension funds of nonprofit organizations will not all show up in the figures on private noninsured funds, since over half the funds were insured in the years

¹⁷ See Phillip Cagan, *The Effect of Pension Plans on Aggregate Saving: Evidence from a Sample Survey*, Occasional Paper 95, New York, National Bureau of Economic Research, 1965, pp. 5f.