

# Workers at religious institutions fear future of pensions

by [Tom Haydon](#)

January 25, 2012

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NEW BRUNSWICK (RNS) Sue Fritz tended to the sick for more than two decades as a nurse at St. Peter's University Hospital.

By the time she left for another job in 1999, she was vested in the hospital's federally insured pension program -- confident her earned pension of \$20,000 or more a year would be there for her when she eventually retired.

That confidence was shattered last November when Fritz and 4,700 others vested in St. Peter's pension system received letters from the hospital saying it had changed its pension plan.

Because of its religious affiliation, St. Peter's was able to switch to a "church plan," effectively exempting it from the safeguards of the Employee Retirement Income Security Act (ERISA), the 1974 federal law that governs pension plans.

One of the ERISA safeguards is the requirement that companies pay insurance premiums on employee pensions -- essentially insuring that the money will be there.

St. Peter's has verbally promised it would continue to pay for insurance, but without federal safeguards or written guarantees, employees are nervous that without pension insurance, if St. Peter's goes under, their pensions will likely disappear with it.

"I don't think they have any intention of protecting us," said Fritz, 63, who now works at another hospital. "I'm very afraid for all of us."

Tens of thousands of current and former employees at scores of religiously affiliated institutions across the country face the same fear, as nonprofits increasingly seek refuge in "church" pension plans to escape onerous financial obligations, according

to Eric Loi, an attorney at the Washington-based Pension Rights Center.

When companies with traditional plans fail, he said, the Pension Benefit Guaranty Corp. provides nearly all payments to which retirees are entitled, but there is a maximum monthly ceiling. While there are limits on the monthly payments to retirees, the corporation pays 85 to 90 percent of all benefits due to retirees, Loi said.

St. Peter's employees and retirees are not the first to feel blindsided by a sudden change in pension plans. According to Loi, a switch in 2004 at the now closed Hospital Center in Orange, N.J., sparked litigation that led to changes at the Internal Revenue Service.

For more than 20 years, the Hospital Center paid insurance for its pension plan. But in 1998, when it was taken over by Cathedral Health Service, the pension plan was switched to a "church plan," Loi said.

At the time, federal regulations did not require institutions to inform employees of a switch; the change was not made known until it came out at a 2003 staff meeting about the hospital's dire financial problems, Loi and others said.

Mary Rich, a former vice president of patient services at the hospital, vividly remembers a nurse at the meeting asking if the pension was protected.

"There was a lot of shuffling of feet and saying, 'We'll have to get back to you,' and mention of a church plan," said Rich, who now works in the health care field in southern New Jersey.

When the hospital closed in 2004, employees discovered the pension was both underfunded and uninsured, Loi said. In 2007, the Pension Rights Center helped former Hospital Center employees file suit against, among others, the hospital, the Archdiocese of Newark, and the IRS for allowing the hospital pension to become a church plan.

Loi estimates there is only enough money in the fund to pay former employees for three to five years.

In response, the IRS initiated a nationwide moratorium on nonprofit and religiously affiliated institutions declaring their pension programs to be "church plans."

But that moratorium was lifted in September when the IRS declared a nonprofit company or agency simply needed to notify all pension plan participants that it was seeking a church plan designation, Loi said.

St. Peter's current and former employees received their notification last November.

St. Peter's spokesman, Phil Hartman, said there is no reason for employees to be concerned. He said the hospital's pension system is a church plan and all safeguards are in place, and the hospital is following nearly every ERISA regulation, including providing insurance.

"We continue to follow those guidelines," he said. "We are looking for ways to insure above and beyond the protections of (the Pension Benefit Guaranty Corp.)"

Employees at other agencies across the country received notices late last year as well, informing them of pension system changes. Workers at some of these agencies are fighting the switch. In fact, said Loi, Jewish Community Center of Greater Washington, D.C., withdrew its plan after protests from its employees.

Last year, a Minnesota judge tossed out most of a lawsuit filed by retirees of a Lutheran publishing house, Augsburg Fortress, after it terminated its pension plan on Dec. 31, 2009 when it ran out of money.

The judge ruled that Augsburg Fortress' plan was a "church plan" and not subject to ERISA guidelines on minimum funding; retirees sued to get the Evangelical Lutheran Church in America to honor the pension promises.

Augsburg Fortress pensioners are now trying to reclaim the \$40 million they say they are owed under state breach-of-contract laws.

*(Amy Nutt and Seth Augenstein of the Star-Ledger, and G. Jeffrey MacDonald of Religion News Service, contributed to this story.)*