

## United Way Chief's Retirement Package Raises Questions

By Heather Vogell  
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Over two decades, Mark O'Connell raised more than \$1 billion for the United Way of Metropolitan Atlanta.

Along the way, the nonprofit's chief executive also secured a seven-figure retirement perk for himself: nearly \$1.6 million in cash.

Federal tax filings show the United Way paid the lump sum two years ago to supplement O'Connell's pension, which already promised him roughly \$106,000 a year for life.

Such extras are legal. They are common in the for-profit sector as a tool to compensate higher-paid executives, whose pensions are limited by federal tax law.

But with executive pay at nonprofits rising nationwide, perks such as O'Connell's are drawing more scrutiny. The Internal Revenue Service is cracking down on excessive earnings, and watchdog groups are urging nonprofits to stop using donations for high-dollar pay packages.

Recent chairmen of the Atlanta United Way board praised O'Connell, who retired in July, as a visionary. They said their goal was to retain a leader who successfully ran one of the nation's three largest United Ways.

O'Connell's skills were nationally recognized and he could easily have landed another prestigious job, they said.

"It was our intent to say we don't want to pay Mark as an average nonprofit executive," said former board chairman Phil Jacobs, an AT&T executive.

O'Connell's compensation — which covers salary, bonus and unused leave — nearly doubled over the last decade, according to tax records and the United Way.

In his final year, he collected about \$446,700, including a car allowance and \$70,200 in unused leave. His last three years' earnings approached \$1.2 million, not counting the lump sum.

Atlanta's United Way is not the only one to offer a supplement like O'Connell's. [But such \\$1](#)

million-plus perks are attracting attention from watchdogs like the National Committee for Responsive Philanthropy, which monitors nonprofit executive pay as part of its larger mission.

Aaron Dorfman, the committee's executive director, said O'Connell's pay package sounded high.

"These funds were raised for the purpose of benefiting disadvantaged people in the Atlanta area," he said.

The full United Way board approved setting up O'Connell's supplement in 1995. Two committees increased its value in 2000 and 2003.

The supplement was a significant amount for the human services charity. In 2003, it laid off 24 workers to save \$1.4 million after an economic slump hurt fund-raising. That year, the United Way reported reducing grants to other nonprofits by as much as 30 percent.

The United Way board never considered altering O'Connell's payout to reduce the shortfall, Jacobs said. It would have been wrong for the United Way to renege on its commitment, he said, and the agency needed O'Connell to get through difficult times.

"What we didn't want to do was something that would cause Mark to leave," he said.

United Way declined to disclose what it pays O'Connell's successor, Milton Little Jr. Its next tax filing will report his earnings.

### **Board did not vote on pay matters**

The handling of O'Connell's retirement supplement also raises questions about the board of directors' role at a time when governance standards for such bodies are in flux.

Nonprofit boards face growing expectations for oversight, just as their private-sector counterparts did after well-publicized corporate collapses. Across the country, nonprofit directors are examining how they manage everything from audits to CEO pay.

In Atlanta, the United Way board did not vote on increases in the value of O'Connell's retirement supplement or on his raises or bonuses.

Leaders of its compensation and executive committees said they reported all CEO compensation matters to the board in keeping with the agency's bylaws.

Yet six board members who served between 2000 and 2005 said they didn't know O'Connell was on track to receive a retirement supplement of more than \$1 million.

No law requires nonprofit boards to vote on CEO pay. But they should do so because directors have a duty to oversee their top executive's pay and performance, says the Panel on the Nonprofit Sector. The group of charity and foundation leaders, which includes the United Way of America's CEO, was convened after congressional inquiries into nonprofit abuses.

Boards should not leave such pay decisions to committees alone, the panel says.

"They have a fiduciary responsibility they need to exercise," said Pablo Eisenberg, senior fellow at Georgetown University's Public Policy Institute. "They need to be a strong, involved board in all aspects of the organization."

Current chairman Lee Torrence, IBM managing director, said the United Way's process "has been transparent to the board, it has been fair, and I think it has been reasonable."

The compensation committee surveyed retirement pay at other nonprofits when it increased O'Connell's payout, Jacobs said. About a third gave their chief some sort of supplement, he said. The United Way declined to release a copy of the survey.

Both Jacobs, who is on the current United Way board, and Torrence said they would be open to reconsidering the way the board sets CEO compensation.

"It may be something we look at," Jacobs said.

### **Nonprofits' salaries getting attention**

Concerns about executive pay and perks at charities and foundations have sparked congressional hearings and an IRS investigation in recent years.

In March, the IRS said it had assessed \$21 million in penalties against 25 tax-exempt organizations for giving executives excessive pay or benefits. The IRS did not name those groups; O'Connell said Atlanta's United Way was not among them.

Private-sector executives on nonprofit boards are accustomed to much higher pay, and they worry about retaining leaders. [But Dorfman, of the Responsive Philanthropy group, said nonprofits' service mission makes them different.](#)

["You can still find good people to serve in nonprofits even if you don't pay salaries that are competitive with private enterprise," he said.](#)

United Way leaders say O'Connell's payout was a pension supplement as well as a retention tool.

The original formula was approved after O'Connell told board members that federal tax law changes would prevent him from collecting pension on salary over \$150,000. He said he asked the board to restore the benefits affected.

Under the final plan, the payout and benefits such as pension and Social Security would bring O'Connell's retirement income to roughly 60 percent of his \$319,000 final average salary.

"I am deeply grateful that I worked for a board that was willing to do that, because they didn't

have to," O'Connell said.

Pete Smith, a Virginia-based nonprofit compensation consultant, said he's hearing more about such supplements because nonprofit pay is rising faster than federal caps on salary used to figure pensions.

O'Connell's benefit sounds reasonable, Smith added, though the board could have considered other options for paying it — especially given the 2003 layoffs. "It might have been better to adjust the plan and pay over time to make it less of a strain on the organization," he said.

A benefit paid over several years, he added, can also be more transparent to the public if boards provide explanations in federal tax filings each year.

"I think it's important to disclose what you're doing as you do it," he said.

Local nonprofits are less likely than national charities to pay a sizable retirement extra, said Daniel Borochoff, president of the American Institute of Philanthropy.

In general, he said, "donors are not happy to hear about it."

Seattle's United Way, the country's biggest in 2005, does not provide its CEO a retirement perk like O'Connell's. Neither do United Ways in Cincinnati and Minneapolis, which are also among the nation's largest.

"Different United Ways do it differently," said Douglas Warns, who did not receive a supplement after retiring from a large New York-based United Way. "Some are more generous than others."

After the scandal involving United Way of America leader William Aramony, pay packages became more conservative, Warns said. Aramony went to prison in the 1990s for defrauding the charity to support an extravagant lifestyle.

But, Warns added, the issue of pay is coming up again.

United Ways in New York City, one of the five largest nationally, and San Antonio have approved perks like O'Connell's for two leaders who served three decades. New York's retired CEO collected a \$2.1 million supplement.

### **O'Connell familiar with touchy subject**

O'Connell's supporters point to the growth in contributions, which more than doubled under him. The agency took in \$94 million in fiscal year 2006. Supporters also cite programs he initiated, such as the 211 phone number that connects people in need and donors to the United Way.

O'Connell, who is 64, will work on a United Way leadership project in retirement. He said his

pay has not been set.

He said he believes in transparency, but is uncomfortable with the community reading the details of his pay.

He learned early that pay could be a flashpoint. Nurses in Norwich, Conn., once asked him what the president of their local United Way earned a year. It was \$20,000. The nurses, who made \$16,000 or \$17,000, were outraged.

"Salary and benefits is innately a controversial subject," O'Connell said.

## TOP GRANTS

The Atlanta United Way's top community impact grants the year after the agency paid Mark O'Connell's \$1.6 million retirement supplement.

American Red Cross

\$3,154,897

Boys and Girls Clubs

\$2,973,206

Families First

\$2,224,695

Sheltering Arms

\$1,722,143

American Cancer Society

\$1,208,536

Salvation Army

\$1,019,017

Boy Scouts Atlanta

\$945,107

YMCA of Metropolitan Atlanta

\$838,145

Jewish Family and Career Services

\$651,405

Visiting Nurse Health System

\$650,864

— Source: United Way of Metropolitan Atlanta Web site

*Photo: "Mark O'Connell, former CEO of the United Way of Metropolitan Atlanta, received nearly \$1.6 million in cash as a pension supplement."*

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