

Court Rules Unanimously in Church Pension Plan Cases

June 7, 2017

On June 5, 2017, the Supreme Court ruled unanimously in *Advocate Health Care Network v. Stapleton* that pension plans maintained by certain church-affiliated entities are exempt from ERISA regardless of whether they were originally established by a church. This case coming out of the Seventh Circuit, was addressed together with *Saint Peter's Healthcare System v. Kaplan* from the Third Circuit and *Dignity Health v. Rollins* from the Ninth Circuit. ***In this client alert, we review the scope of the ruling in Advocate, identify issues requiring further legal development, and offer considerations for employers in determining the ERISA status of their pension plans.***

I. The Scope of the Ruling

The Court interpreted the text of ERISA to require broad application of the church plan exemption to plans maintained by church-affiliated organizations whose principal purpose is the administration or funding of a benefit plan, regardless of whether a church originally established the plan. In doing so, the Court upheld (without conceding any deference to) the statutory interpretation taken by the IRS in decades of private letter rulings, as well as by the Department of Labor and the Pension Benefit Guaranty Corporation. Therefore, in terms of the question presented to the Court, the ruling affirmed a long-standing status quo of executive agency positions and resulting pension plan practices.

II. Issues for Further Legal Clarification

However, as the Court itself acknowledged, the ruling does not address important related questions affecting the breadth of the church plan exemption. Specifically, the Court expressed no opinion on whether certain pension plans have the needed association with a church to qualify as church-affiliated, or whether their internal benefits committees count as "principal purpose organizations". This means that just because a pension plan is maintained by an entity with some connection to a church, that connection does not automatically confer the church plan exemption on the plan. Rather, additional legal analysis will be required and additional litigation may result.

Nor does the legal analysis end once a plan has satisfied itself that the church plan exemption properly applies. Instead, a determination that ERISA preemption does not operate, results in the proper application of state law requirements. The specific requirements will vary by state, but could include state-level employment, contract, and fiduciary laws and regulations. For such plans, this continues to present compliance obligations and potential litigation exposure. Therefore, the church plan exemption does not create a legal waiver; rather, it effectively replaces federal legal requirements with state-specific ones.

III. Considerations for Employers

In light of the foregoing, we offer the following considerations for employers in determining the best approach to the status of their pension plans under ERISA. These considerations elaborate upon those initially offered in our June 13, 2016 client alert, "[Recent Litigation Addresses the Benefit Plans of Religious Organizations](#)".

- Maintaining a plan that has some association with a church may not be sufficient to satisfy the church plan exemption. Further analysis of the nature of that association and of the administrative structure of the plan will be necessary.
- Qualifying for the church plan exemption may not simplify the plan's legal obligations. The application of relevant state laws and their associated requirements will need to be determined.
- Having performed the above analyses, contingencies for a range of possible scenarios, including options for responding to litigation at the federal and/or state level, will need to be evaluated.

This client alert has discussed the recent Supreme Court ruling in *Advocate Health Care Network v. Stapleton* on the church plan exemption under ERISA. For more information about the church plan exemption or other issues concerning your benefit plans in general, please contact [Joanne C. Youn](#) at jyoun@capdale.com or at 202.862.7855 or [Ronald G. Cluett](#) at rcluett@capdale.com or at 202.862.5094.



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