U.S. Supreme Court Clarifies The Definition Of "Church Plan" Under ERISA

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On June 5, 2017, the U.S. Supreme Court unanimously held that a pension benefits plan need not be established by a church in order to qualify as a "church plan" exempt from various requirements under the Employee Retirement Income Security Act of 1974, as amended (ERISA), thereby reversing three federal appellate court decisions to the contrary. In Advocate Health Network v. Stapleton, various nonprofit hospitals had established pension plans which were administered as if such plans were exempt from ERISA due to the affiliations the hospitals had with certain churches. In so doing, the hospitals were relying on longstanding guidance from a number of federal regulatory agencies which had held that church-affiliated hospitals could both establish and maintain such plans. The U.S. Courts of Appeals for the Seventh, Third and Ninth Circuits each ruled that the pension plans had to be established by a church (rather than an affiliated organization) in order to be exempt from ERISA. The Supreme Court disagreed. The Court noted that the original ERISA definition of church plan required that the plan be "established and maintained . . . by a church," but that a subsequent amendment to ERISA defined the phrase "established and maintained . . . by a church" to include plans maintained by certain affiliate organizations (such as a religious-based hospital network). The Court had to decide whether a plan qualified as a church plan simply by virtue of its being maintained by a qualifying affiliate organization (referred to by the Court as a “principal purpose organization”) – or whether a church must first have established the plan. The Court concluded that the amendment to ERISA brought plans

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maintained by principal purpose organizations into the exempt category of plans “established and maintained…by a church,” regardless of the fact those plans were not in fact initially established by a church. The Court noted that its decision was consistent with the longstanding interpretations by the regulating bodies to exempt these plans from ERISA.