

United States Supreme Court Finds Church-Affiliated Retirement Plans are Exempt From ERISA

On June 5, 2017, the United States Supreme Court in *Advocate Health Care Network v. Stapleton* unanimously held that retirement plans maintained by church affiliated organizations, such as hospitals and schools, may qualify for the church plan exemption under the Employee Retirement Income Security Act of 1974 ("ERISA"). The church plan exemption allows a plan to be exempt from ERISA if the plan was "established and maintained" by a church. The decision overturned a recent line of cases which limited application of the church plan exemption to only plans which were established by a church.

Saint Peter's Healthcare System (New Jersey), Advocate Health Care Network (based in Illinois) and Dignity Health (California) challenged rulings by the Third, Seventh and Ninth United States Circuit Courts of Appeals, respectively. In each case, the Court of Appeals held that the retirement plan of the respective hospital was not a "church plan" under ERISA because the plan was not established by a church. The Appeals Court rulings ignored each organization's Internal Revenue Service private letter ruling deeming the organization's retirement plan a "church plan." In its decision, the United States Supreme Court found that because Congress decided to extend the church plan exemption to plans maintained by church affiliated organizations, "those plans—and all those plans—are exempt from ERISA's requirements" regardless of the entity that established the plan.

Following the United States Supreme Court's reversal, no immediate action is required on behalf of church plan sponsors. However, it is unclear whether the United States Supreme Court's decision will be the last word. Congress may take this opportunity to clarify eligibility for the church plan exemption, which could exclude retirement plans established by church affiliated organizations. If you have questions regarding the United States Supreme Court's decision or how a change to the church plan exemption could impact your organization, please contact your Reinhart Boerner Van Deuren attorney today.

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