

COURT ANSWERS MORE QUESTIONS ON CHURCH PLAN EXEMPTION

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As we reported last year, the Supreme Court, in a unanimous decision, ruled that an employee benefit program for employees of a church-affiliated organization can qualify as a “church” plan, if (a) the plan is maintained by an entity (e.g., a retirement benefits committee or pension board) the principal purpose of which is the administration or funding of an employee benefit plan (i.e., a principal purpose organization”); and (b) the “principal purpose organization” is controlled by or associated with a church. A recent decision by the Court of Appeals for the Tenth Circuit addresses issues not clearly decided by the Supreme Court when it held that a retirement plan sponsored by Catholic Health Initiatives (“CHI”), a church-affiliated healthcare organization, is a “church plan” under ERISA.

The first question decided by the Court: is the entity that offered the plan a tax-exempt organization that is associated with a church? The Tenth Circuit held that CHI is associated with a church because of CHI’s relationship with Catholic Health Care Federation (which was created by, and accountable to, the Vatican), because of CHI’s Articles of Incorporation (which provide that CHI was organized exclusively to carry out religious purposes), and because CHI is listed in the Official Catholic Directory.

The second issue decided by the Court: is the entity’s retirement plan maintained by an organization whose principal purpose is administering or funding a retirement plan for entity employees? The Court found that CHI’s committee which administered the CHI plan, is the “principal purpose organization” that “maintained” the plan for purposes of the exemption.

The third issue: is principal-purpose organization itself associated with a church? The Court concluded that was the case because the committee is associated with CHI (which was associated with a church), and because the CHI plan document states that the committee shares “common religious bonds and convictions” with the Catholic Church.

Finally, the Court rejected the claim that the church plan exemption violates the Establishment Clause. *Medina v. Catholic Health Initiatives* (10th Cir. 2017).