



U.S. Supreme Court to Weigh in on Religious Exemptions from ERISA

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The United States Supreme Court recently agreed to hear appeals from hospitals with Christian affiliations regarding the Employee Retirement Income Security Act's ("ERISA") exemption for church retirement plans.

ERISA is a federal law that sets forth minimum standards for pension plans established by private companies. In an effort to protect the interests of employee benefit plan participants, ERISA requires disclosure of plan information, including important information about plan features and funding, establishes standards of conduct for plan fiduciaries, and provides for appropriate remedies and access to federal courts in the case of a lawsuit. Most private sector employee benefit plans are subject to ERISA's requirements; however, plans provided by churches are not covered by ERISA, unless the organization elects ERISA coverage.

The petitioners in the suit now before the Court argue that the language in the ERISA statute that exempts church retirement plans extends to pension plans created by any organization managed or affiliated with the church, not only to plans administered by churches themselves. Advocate Healthcare Network of Illinois, Saint Peter's Healthcare System of New Jersey, and Dignity Health of California are each appealing circuit court decisions, which have held that the hospitals are not exempt from ERISA's requirements, and are facing class actions for allegedly failing to comply with ERISA's provisions. According to a brief submitted to the Court on behalf of the hospitals, "the national understanding for 37 years has been that church-agency plans like petitioners' are exempt; countless religious entities have openly operated free from ERISA's requirements for decades."

In March 2016, the Seventh Circuit agreed with the Third Circuit's holding from a few months prior, which stated that "the plain terms of ERISA only make these exemptions available to plans established in the first instance by churches." In that case, a class action was filed against Saint Peter's Healthcare System in 2013 by a former employee who asserted that Saint Peter's system failed to comply with various ERISA obligations. In the Advocate Healthcare Network case, hospital employees sued the hospital, fearing their retirement funds were vulnerable because the plan did not provide the minimum funding requirements. The employees suing Saint Peter's claim that their plans are underfunded by 70 million dollars and the employees suing Dignity Health claim that their plans are underfunded by over 1 billion dollars. All three of the hospitals involved in the case before the Court have denied that their plans are underfunded. The hospitals contend that allowing these lawsuits to move forward could jeopardize nonprofit hospitals' abilities to provide care, while the employees of those hospitals claim that the hospitals are putting their pension plans at great risk.

Since ERISA's exemption for churches became effective, hundreds of hospitals have claimed the exemption, relying on the understanding that the "church plan" exemption applied to religiously affiliated organizations as well.

Organizations with religious affiliations should keep an eye on this case, as the Court will hear arguments in December 2017. The Court's decision could have a significant impact on such organizations and their relationship with ERISA and its requirements.

*Please note that this is a general description of law and does not constitute legal advice.