

# **Bond Case Briefs**

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## **EXEMPT ORGANIZATIONS - CALIFORNIA**

### **Rollins v. Dignity Health**

**United States District Court, N.D. California - December 12, 2013 - F.Supp.2d - 2013 WL 6512682**

Dignity Health ("Dignity") is a non-profit healthcare provider with facilities in sixteen states. From 1986 to 2012, Starla Rollins ("Rollins") was employed as a billing coordinator at a Dignity-operated hospital. Based on her employment, Rollins will be eligible for pension benefits from Dignity's benefits plan (the "Plan") when she reaches retirement age.

Rollins alleges that Dignity's Plan violates the Employee Retirement Income Security Act (ERISA). Dignity contends that its Plan need not comply with ERISA because it is a "church plan," which the statute explicitly exempts from its requirements. Rollins maintains that the Plan does not qualify as a church plan as defined by ERISA.

According to Rollins, despite the language in section U.S.C. § 1002(33)(C)(i), which permits church-associated organizations to maintain church plans, section A still demands that only a church may establish a church plan. Although Rollins also disputes whether Dignity is a church-associated organization under section C(i), the Court first addresses, and finds dispositive, her argument that Dignity is not a church, and as such cannot establish a church plan, and therefore that Dignity's Plan is not a "church plan" under the statute.

Dignity does not contend that it is a church or that its Plan was started by a church. Rather, relying primarily on section C, it argues that the ERISA statute allows a plan to qualify as a church plan regardless of what entity established the plan, so long as the plan is maintained by a tax-exempt non-profit entity "controlled by or associated with a church or a convention or association of churches." 29 U.S.C. § 1002(33)(C)(i). Because it is a tax-exempt entity associated with the Roman Catholic Church, and its Plan is maintained by a subcommittee associated with the Roman Catholic Church, Dignity argues that, as a matter of law, its Plan qualifies as a church plan.

Thus, the primary question before the Court is whether the ERISA statute requires a church plan to have been established by a church, or whether the statute merely requires that a church plan be maintained by a tax-exempt organization controlled by or associated with a church.

The Court held that notwithstanding section C, which permits a valid church plan to be maintained by some church-affiliated organizations, section A still requires that a church establish a church plan. Because the statute states that a church plan may only be established "by a church or by a convention or association of churches," only a church or a convention or association of churches may establish a church plan. 29 U.S.C. 1002(33)(A). Dignity's effort to expand the scope of the church plan exemption to any organization maintained by a church-associated organization stretches the statutory text beyond its logical ends.

"In sum, both the text and the history confirm that a church plan must still be established by a church. Because Dignity is not a church or an association of churches, and does not argue that it is, the Court concludes that Dignity does not have the statutory authority to establish its own church

plan, and is not exempt from ERISA as a matter of law. Defendants' motion to dismiss on this ground is thereby DENIED."