

Bond Case Briefs

Municipal Finance Law Since 1971

PENSIONS - FEDERAL

Kaplan v. Saint Peter's Healthcare System

United States Court of Appeals, Third Circuit - December 29, 2015 - F.3d - 2015 WL 9487719

Participant in Employee Retirement Income Security Act (ERISA) plan brought putative class claim against employer, a religiously affiliated hospital, alleging that, as a mere qualifying agency of a church, hospital was precluded from establishing a church plan entitled to certain exemptions under ERISA.

The District Court denied employer's motion to dismiss. Employer appealed.

The Court of Appeals held that:

- Relevant ERISA provision was unambiguous in requiring a church to establish a church exempt plan;
- Legislative history indicated that agencies were precluded from establishing church exempt plans; and
- Provision did not violate Free Exercise Clause.

ERISA provision granting exemptions for churches and qualifying church agencies was unambiguous in requiring that a church, rather than a qualifying church agency, establish such a church exempt plan. Statute was clear in defining a church exempt plan as one "established and maintained" by a church for its employees, ignoring "established" language would render it superfluous by removing a careful limitation, language permitting a qualifying agency to establish a plan was expressly omitted, and court would construe exemption narrowly in favor of plan participants.

Even assuming ERISA provision permitting churches to create benefit plans exempt from certain requirements was ambiguous as to whether qualifying church agencies could also establish such plans, legislative history demonstrated that qualifying agencies were not permitted to create such exempt plans. History did not demonstrate that Congress was concerned about the ability of agencies to establish exempt plans, rather it demonstrated that Congress did not intend to open up the exemption broadly.

Informal determination of Internal Revenue Service (IRS) in general counsel memorandum that qualifying church agencies could establish and maintain church exempt plans under ERISA was contrary to plain language of ERISA provision that only permitted churches to establish such plans, and thus was not entitled to deference.

Congress did not ratify Internal Revenue Service (IRS) interpretation of ERISA provision permitting qualifying church agencies to establish church exempt plans. IRS interpretation was contrary to plain language of statute, and there was no indication that Congress had detailed knowledge of provision and its interpretation.

ERISA provision permitting only churches to establish church exempt plans did not violate Free

Exercise Clause of First Amendment. Requirement that such plans be established by churches rather than their qualifying agencies did not prohibit church agencies from having their employees covered by a church exempt plan.