

The legislative history of church pension plans

Below is a brief summary of the law, legislative history, and rulings related to church plans.

- The 1974 private pension reform law, ERISA, provided a permanent exemption from the law for pension, health and other benefit plans established and maintained by a church for its employees.
- This permanent exemption did not apply to plans for employees of church-affiliated schools, hospitals, social services organizations, and other nonprofit organizations.
 - However, the law also included a *temporary special rule* that extended the exemption to plans established and maintained by a church for its own employees and also for the employees of church-related employers. *This temporary rule was set to expire after 1982.*
- In 1980, at the urging of the Southern Baptist Convention Annuity Board, Senator Herman Talmadge introduced legislation to amend ERISA to make the special temporary rule permanent. The proposed legislation also clarified that incorporated organizations such as the SBC Annuity Board, and similar unincorporated organizations that were not churches themselves, but had been created by churches and church conventions to administer their pension and health plans could continue to operate.
 - The Senate Finance Committee Report and statements made by Senator Talmadge and Senator Russell Long on the Senate floor on the day the amendments were passed confirm that the intent of the new law was solely to make permanent the special temporary rule allowing a plan established by a church to also include the employees of church-related employers, and to permit plans administered by organizations like the SBC Annuity Board, called "church pension boards," to be permanently exempt from private pension law.
- However, starting in 1983 the Internal Revenue Service began to issue rulings broadly interpreting the 1980 Talmadge amendments to also exempt plans *established by non-church employers* that are administered by *informal benefit committees*.
 - The IRS rulings rely on a provision in the 1980 amendments that allows certain plans that are not "church plans" to be "*treated as church plans.*"
 - A plan is *treated as a church plan*, if the plan is maintained by an "organization" associated with a church whose *principal purpose or function* is the administration or funding of the plan.

- The legislative history makes plain that the term “organization” was intended to only include formal organizations, like the SBC Annuity Board (now called GuideStone Financial Resources), that had been created by churches and church conventions for the principal purpose of maintaining pension and health plans for the employees of churches and church-related employers. Congress did not intend for the term "organization" to refer to informal benefit committees appointed by non-church employers to administer their plans.
- As a result of the expansive interpretation of the law by the IRS, countless teachers, nurses, social workers, teachers, and other lay employees have been improperly denied critically important pension insurance and other protections conferred by Congress.

Pension Rights Center

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