

Private letter ruling dated August 14, 2013 issued to Saint Peter's Healthcare System. Highlights and names of organizations and plan have been added.

Mr. Garrick J. Stoldt, Chief Financial Officer  
Saint Peter's Healthcare System, Inc.  
254 Easton Avenue  
New Brunswick, NJ 08901

Dear Mr. Stoldt:

This letter is in response to your request dated October 5, 2006, as supplemented by correspondence dated July 24, 2007, November 22, 2011, January 24, 2012, February 7, 2012, February 17, 2012, May 23, 2012, April 9, 2013 and May 22, 2013, submitted on your behalf by your authorized representatives regarding the church plan status of Saint Peter's Healthcare System Retirement Plan within the meaning of section 414(e) of the Internal Revenue Code (Code).

**The following facts and representations have been submitted under penalties of perjury on your behalf:**

Saint Peter's University Hospital (SPUH) was created by The Diocese of Metuchen of New Jersey (the Diocese) to meet the charitable needs of people by providing health and human services to people in need. The Diocese is a religious community organized within the Roman Catholic Church. SPUH was originally incorporated on March 20, 1908, pursuant to Articles of Incorporation (Articles) that have been amended from time to time. The Articles provided that the sole member of SPUH was Catholic Health New Jersey, Inc., a non-profit corporation. SPUH is exempt from Federal income taxation under section 501(a) as an organization described under section 501(c)(3) of the Code, and is listed in Directory 5, the official directory of the Roman Catholic Church.

Under Article III of SPUH's Bylaws, the powers of SPUH generally were exercised by the Board of Trustees (Board). The Board consisted of from five to thirty trustees, including the congregational leader of the Diocese and two trustees who were the designated representatives of the Diocese. The exact number of trustees was fixed by Catholic Health New Jersey, Inc. and with the exception of the congregational leader of the Diocese, the two representatives of the Diocese, and the President of SPUH, all trustees were subject to certain term limitations. Trustees were required to agree to conduct the activities and business of SPUH under the philosophy of, and ethical and religious directives for, Roman Catholic Church health facilities as adopted by the national clerical leadership of the Church and implemented by the Diocese. In addition, the congregational leader of the Diocese had the right to veto

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any trustee otherwise approved by Catholic Health New Jersey, Inc.

In June, 2010, SPUH participated in a reorganization, which resulted in the creation of a new parent corporation known as Saint Peter's Healthcare System, Inc. (SPHCS). SPHCS is a nonprofit New Jersey corporation exempt from Federal income taxation under section 501(a) of the Code by virtue of being an organization described in section 501(c)(3) of the Code. Article III of SPHCS's restated Bylaws provides that the sole member of SPHCS is the congregational leader of the Diocese. The Board of Governors (Governors) has the authority to manage SPHCS, but the congregational leader of the Diocese has the sole authority and discretion to appoint and remove all Governors of SPHCS, as well as the trustees of any subsidiaries, and the executive director of any subsidiary of SPHCS. The congregational leader of the Diocese also has the sole authority to veto any action by SPHCS or its Governors, and to exercise any powers designated to SPHCS with respect to any subsidiary.

**Effective January 1, 1964, SPUH established Saint Peter's University Hospital Retirement Plan (SPUH Plan), a retirement savings plan, for the benefit of its employees and the employees of its subsidiaries.** In June, 2010, SPHCS assumed the sponsorship of SPUH Plan and renamed it Saint Peter's Healthcare System Retirement Plan (SPHCS Plan). SPHCS Plan is a qualified plan as described in section 401(a) of the Code.

SPHCS has not made an election under section 410(d) of the Code with respect to SPHCS Plan.

**SPHCS Plan is administered by a Retirement Plan Committee (Committee),** whose members are appointed by the congregational leader of the Diocese. In the past, the Committee was controlled by the Board which was controlled by the Roman Catholic Church; currently the Committee is controlled by the congregational leader of the Diocese. The Committee serves as the SPHCS Plan administrator, and exercises the sole authority to construe and to interpret the provisions of SPHCS Plan, determine eligibility for benefits thereunder and otherwise manage the operations of SPHCS Plan.

In accordance with Revenue Procedure 2011-44, 2011-39 I.R.B. 446, Notice to Employees with reference to SPHCS Plan was originally provided on November 21, 2011 and was reissued on April 29, 2013 **with a minor correction**. This notice explained to participants of SPHCS Plan the consequences of church plan status.

Based on the foregoing, you request a ruling that SPHCS Plan is a church plan under the provisions of section 414(e) of the Code effective as of January 1, 1974.

Section 414(e) was added to the Code by section 1015 of ERISA. Section 1017(e) of ERISA provided that section 414(e) of the Code applied as of the date of ERISA's enactment. However, section 414(e) of the Code was subsequently amended by section 407(b) of the Multiemployer Pension Plan Amendments Act of 1980, Pub. Law 96-364, to provide that section 414(e) of the Code was effective as of January 1,

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1974.

**Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church** or a convention or association of churches which is exempt from taxation under section 501 of the Code.

Section 414(e)(2) of the Code provides, in part, that the term "church plan" does not include a plan that is established and maintained primarily for the benefit of employees (or their beneficiaries) of such church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513 of the Code); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) of the Code or section 414(e)(3)(B) of the Code (or their beneficiaries).

**Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees (or their beneficiaries) by a church or by a convention or association of churches includes a plan maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association of churches, if such organization is controlled by or associated with a church or a convention or association of churches.**

Section 414(e)(3)(B) of the Code defines "employee" of a church or a convention or association of churches to include a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry, regardless of the source of his or her compensation, and an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 of the Code, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 of the Code shall be deemed the employer of any individual included as an employee under subparagraph (B).

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is associated with a church or a convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

Revenue Procedure 2011-44, 2011-39 I.R.B. 446 supplements the procedures for requesting a letter ruling under section 414(e) of the Code relating to church plans. The revenue procedure: (1) requires that plan participants and other interested

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persons receive a notice in connection with a letter ruling request under section 414(e) of the Code for a qualified plan; (2) requires that a copy of the notice be submitted to the Internal Revenue Service (IRS) as part of the ruling request; and (3) provides procedures for the IRS to receive and consider comments relating to the ruling request from interested persons.

**In order for an organization that is not itself a church or convention or association of churches to have a qualified church plan, it must establish that its employees are employees or deemed employees of a church or convention or association of churches under section 414(e)(3)(B) of the Code by virtue of the organization's control by or affiliation with a church or convention or association of churches. Employees of any organization maintaining a plan are considered to be church employees if the organization: (1) is exempt from tax under section 501 of the Code; and, (2) is controlled by or associated with a church or convention or association of churches. In addition, in order to be a church plan, the plan must be administered or funded (or both) by an organization described in section 414(e)(3)(A) of the Code. To be described in section 414(e)(3)(A) of the Code, an organization must have as its principal purpose the administration or funding of the plan and must also be controlled by or associated with a church or convention or association of churches.**

In this case, SPHCS, and its predecessor SPUH, are organizations described in section 501(c)(3) of the Code which are exempt from tax under section 501(a) of the Code. SPHCS is listed in the Official Catholic Directory which is the official directory of the Roman Catholic Church. The sole member of SPHCS is the congregational leader of the Diocese. The Diocese is a religious community which carries out the functions of the Roman Catholic Church and is listed in the Official Catholic Directory. Therefore, SPHCS, is indirectly controlled by the Roman Catholic Church through its relationship with the Diocese.

In view of the common religious bonds between the Roman Catholic Church and SPHCS, and the indirect control of SPHCS by the Roman Catholic Church through the Diocese, we conclude that SPHCS, the successor to SPUH, is associated with a church or a convention or association of churches within the meaning of section 414(e)(3)(D) of the Code, that the employees of SPHCS meet the definition of employee under section 414(e)(3)(B) of the Code, and that they are deemed to be employees of a church or a convention or association of churches by virtue of being employees of an organization which is exempt from tax under section 501 of the Code and which is controlled by or associated with a church or a convention or association of churches.

**SPHCS Plan is administered by the Committee whose members are appointed by the congregational leader of the Diocese. In the past, the Board controlled the Committee, but currently the congregational leader of the Diocese controls the Committee.** Therefore the Committee is associated with and under the control of the Diocese, and is indirectly associated with and under the control of the Roman Catholic Church. **Further, as represented above, the sole purpose of the Committee is the administration of SPHCS Plan for the provision of retirement**

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**benefits for the employees of SPHCS. As a result, the Committee constitutes an organization** described in section 414(e)(3)(A) of the Code.

Based on the foregoing facts and representations, we conclude that SPHCS Plan is a church plan within the meaning of section 414(e) of the Code, and has been a church plan within the meaning of section 414(e) of the Code retroactive to January 1, 1974.

In addition, we conclude that SPHCS Plan has not been maintained primarily for the benefit of employees who are employed in connection with one or more unrelated trades or business as defined in section 513 of the Code.

This letter expresses no opinion as to whether SPHCS Plan satisfies the requirements for qualification under section 401(a) of the Code.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

A copy of this letter is being sent to your authorized representatives pursuant to a Power of Attorney on file in this office.

If you have any questions regarding this letter, please contact Wilbert G. Laird, ID Number 1000221531, at (202) 283-9630. Please address all correspondence to SE:T:EP:RA:T3.

Sincerely yours,

Laura B. Warshawsky, Manager  
Employee Plans Technical Group 3

Enclosures:

Deleted copy of letter ruling  
Notice 437

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