

[United States Supreme Court Holds that Summary Plan Descriptions are Not Part of the Plan](#)

5-18-2011 by Mark Hancock

In a significant loss for employees, the [United States Supreme Court](#) has determined that a pension plan's Summary Plan Description ("SPD") is not a part of the plan itself ([CIGNA Corp. v. Amara](#)).

The decision, supported by all eight justices who participated, severely limits the ability of plan participants to sue for benefits based upon claimed irregularities in the SPD.

Until 1998, CIGNA's pension plan provided a retiring employee with an annuity based on pre-retirement salary and length of service. The new plan replaced the annuity with a cash balance based on a defined annual contribution from CIGNA, plus interest. The new plan translated earned benefits under the previous plan into an opening amount in the cash balance account.

Plaintiffs, beneficiaries under CIGNA's pension plan (and the plan itself), acting on behalf of approximately 25,000 beneficiaries, challenged the new plan in a class action, claiming CIGNA failed to give them proper notice of the changes, particularly because the new plan provided less generous benefits.

The District Court held that CIGNA's descriptions of the new plan were significantly incomplete and inaccurate and that CIGNA intentionally misled its plan participants, violating sections 102(a), 104(b) and 204(h) of the [Employee Retirement Income Security Act of 1974](#), as amended ("ERISA"). See [29 U.S.C. §§ 1022\(a\), 1024\(a\), 1054\(h\)](#).

The District Court found that only class members who had suffered harm due to CIGNA's disclosure improprieties could obtain relief, but it did not require each class member to show individual injury.

Instead, it found the evidence raised a presumption of "likely harm" suffered by class members and that, because CIGNA failed to rebut this presumption as to some or all participants, the evidence warranted class-applicable relief.

Although section 204(h) of ERISA permits invalidation of plan amendments imposed without proper notice, the District Court did not do so here, reasoning that striking the new plan would further harm, rather than help, injured class members.

Instead, granting relief under section 502(a)(1)(B) of ERISA, which authorizes a civil action to recover "benefits due" under the terms of the plan, the District Court reformed the new plan, substituted a more generous retirement payment, and ordered CIGNA to pay benefits under the plan, as reformed. See [29 U.S.C. § 1132\(a\)\(1\)\(B\)](#).

The Court of Appeals for the Second Circuit affirmed.

The Supreme Court held that the lower court improperly relied upon section 502(a)(1)(B) of ERISA, as that section does not authorize the District Court to change plan terms, rather than enforce existing terms.

The Court rejected the argument that the District Court merely enforced existing terms of the plan because it enforced the SPD, which is part of the plan.

In rejecting this theory, the Supreme Court reasoned that the SPD is not part of the plan, but merely information about the plan. See [29 U.S.C. § 1022\(a\)](#).

The Court commented that the argument ignores the distinction between the plan sponsor (which creates the plan and the procedures for making plan amendments) and the plan administrator (which manages the plan and provides the SPD in readily understandable form).

The Court explained that, even where the duties of the plan sponsor and the plan administrator are performed by the same entity, the division of responsibilities between sponsor and administrator is significant.

Imposing a rule that makes the SPD part of the plan and, therefore, allows statements in the SPD to modify the plan "might bring about complexity that would defeat the fundamental purpose of the summaries."

While the Supreme Court did not find authority to reform plans under section 502(a)(1)(B), it nevertheless held that such authority exists under section 502(a)(3), which allows "other appropriate equitable relief" to redress violations of ERISA or plan terms. See [29 U.S.C. § 1132\(a\)\(3\)](#).

Accordingly, even though a legal remedy such as compensatory damages is not permitted, the Supreme Court concluded that the District Court had the power to impose equitable remedies, including reformation of plan terms, injunctions to enforce plan terms, and orders to refrain from taking already accrued benefits (i.e., equitable estoppel).

The Supreme Court noted ERISA does not establish a particular standard for determining harm, but requires the plan administrator to distribute written notice that is "sufficiently accurate and comprehensive to reasonably apprise" participants of "their rights and obligations" under the plan (quoting § 102(a)).

Thus, the Court explained the requirement of harm must come from the law of equity. Moreover, to determine if "detrimental reliance" must be proved to obtain equitable relief, the lower court must look to the specific equitable remedy it seeks to impose.

With respect to the action against CIGNA, the Supreme Court explained that, to obtain relief by surcharge for the claimed ERISA violations, a plan participant or beneficiary must show that the violation caused injury--i.e., harm and causation, but not necessarily detrimental reliance, and that the prejudice standard, if applicable, must be borrowed from equitable principles, as modified by the obligations and injuries identified by ERISA itself.

The Supreme Court remanded the case, allowing the District Court to further evaluate the remedy it will impose in light of its opinion.

Although this case arose in the context of alleged irregularities concerning pension benefits, the decision will apply with equal force to other forms of plan benefits, including SPDs concerning insurance benefits.

Originally posted on [Barger & Wolen's *Life, Health, Disability Insurance Law* blog](#).