

Corporate & Financial Weekly Digest

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Supreme Court Rules Summary Plan Descriptions Are Not "Terms" Under ERISA

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On May 16, the U.S. Supreme Court issued its long-awaited opinion in the case of *Cigna Corp. v. Amara*. This decision will have a substantial impact on plan sponsors, both with respect to how a sponsor is to design its plan and disclose terms in its summary plan description, as well as what relief may be available for plan participants and beneficiaries for plan violations.

The Supreme Court determined that summary plan descriptions (SPDs), although important, are not plan "terms" under the Employee Retirement Income Security Act (ERISA). Citing a concern over whether SPDs could become overly complex, the Court decided that SPDs "provide communication with beneficiaries about the plan, but that their statements do not themselves constitute the terms of the plan for purposes of Section 502(a)(1)(B) [of ERISA]."

Next, the Supreme Court decided that although ERISA may provide a remedy for plan participants based on mistakes in an SPD under Section 502(a)(3) of ERISA, the participants must show, by a preponderance of the evidence, that they were actually harmed, potentially limiting the ability to bring large class action claims against a plan sponsor.

Tempering these two findings, the Supreme Court also determined that equitable relief is available to participants of a plan under Section 502(a)(3) of ERISA. In its discussion of what constitutes equitable relief under an ERISA plan, the Court considered numerous possible remedies, including some remedies that traditionally have not been discussed before such as monetary relief. However, the Supreme Court ultimately left the decision on the type of relief to be granted up to the district court to decide on remand.

The concurring opinion by two justices stated that the question of whether relief under Section 502(a)(3) was available went too far.

Although it will be difficult to determine the exact extent of the case until the district court makes its findings on remand, the *Cigna* case is beneficial to plan sponsors with respect to defining the terms of a plan and with respect to raising the burden plaintiffs must show to establish harm. ([Cigna Corp. v. Amara](#), U.S., No. 09-804, 5/16/11)

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