

Tax & Employee Benefits Department

RECENT CASELAW REGARDING EQUITABLE RELIEF UNDER ERISA

Earlier this year, the Sixth Circuit decided on an equitable relief controversy between Pearce and Chrysler Group LLC Pension Plan (“Plan”).¹ Pearce was a terminated employee who commenced action in state court against pension plan to recover supplemental retirement benefits. Under the Plan’s terms, Pearce had earned an early retirement supplement, called “30-and-Out benefits.” He relied on the Summary Plan Document (“SPD”) provided by Chrysler to Plan participants, which stated he did not need to be “actively employed at retirement” to remain eligible for these benefits. However, the SPD omitted an exclusionary clause contained in the Plan document itself, which said that an employee who was terminated was ineligible for the early retirement supplement. After Pearce was terminated, he applied for his retirement benefits and was denied 30-and-Out benefits. After unsuccessfully administratively appealing this denial, Pearce brought the suit under the Employee Retirement Income Security Act of 1974 (“ERISA”). Pearce sought to hold the Plan to its representations in the SPD, notwithstanding the exclusionary provision in the Plan document, via the equitable remedies available under ERISA § 502(a)(3).

The Circuit stated that to assert a successful claim for equitable estoppel under § 502(a)(3), a plaintiff must establish:

1. conduct or language amounting to a representation of material fact;
2. awareness of the true facts by the party to be estopped;
3. an intention on the part of the party to be estopped that the representation be acted on, or conduct toward the party asserting the estoppel such that the latter has a right to believe that the former’s conduct is so intended;
4. unawareness of the true facts by the party asserting the estoppel; and
5. detrimental and justifiable reliance by the party asserting estoppel on the representation.

If the plaintiff is attempting to “invoke equitable estoppel in the case of unambiguous pension plan provisions,” he must also show:

6. a written representation;
7. plan provisions which, although unambiguous, did not allow for individual calculation of benefits; and
8. extraordinary circumstances in which the balance of equities strongly favors the application of estoppel.

The Court of Appeals held that the extent of injury suffered by the employee had to be analyzed to determine whether the Plan engaged in either fraudulent or inequitable conduct as required to reform provision for benefits under plan; fraud or inequitable conduct did not have to arise in drafting of plan document to enable employee to seek to reform provision for supplemental benefits; if the employee had ability to calculate his true benefits, he could not invoke equitable estoppel; and, ability of employee to calculate his true supplemental benefits under plan had to be determined by looking at the Plan, rather than the SPD, in order to invoke equitable estoppel.

Here in the First Circuit, in 2017, the District Court of Massachusetts discussed the equitable remedies in Stone v. Gelinas.² Under that case, a participant, beneficiary, or fiduciary an ERISA Plan may seek remedies set out under ERISA and may also “obtain other appropriate equitable relief.” The case explains that Federal common law, rather than state law, resolves issues relating to ERISA benefit plans. It quotes Amara v. CIGNA Corp. to define the term “appropriate equitable relief” that refers to the remedies traditionally available in equity. They further explain that there are two ways to get appropriate equitable relief:

1. a contract could be reformed “if the instrument was executed in ignorance or mistaken in facts material to its operation.”
2. Another traditional equitable remedy is estoppel, which courts of equity used to put the person entitled to benefit from a misrepresentation in the same position they would have been in were the misrepresentation true. Equity courts first required “a showing akin to detrimental reliance” before granting estoppel.

Also in 2018, in Hoffman v. Textron, Inc.,³ a District Court under the First Circuit stated that in light of apparent consensus among circuit courts that an equitable estoppel claim under ERISA § 502(a)(3) is viable, the Court will not dismiss the claim on that basis. The case mention that an equitable estoppel claim consists of two elements:

1. the first party must make a definite misrepresentation of fact with reason to believe the second party will rely on it, and
2. the second party must reasonably rely on that representation to its detriment.

As discussed above, courts in the First Circuit have already applied the appropriate equitable relief doctrine from Amara. Although none of these courts have applied the eight (8) steps used by the 6th Circuit in Pearce, it can be inferred that it will be referenced for future controversies in the First Circuit.

¹ Pearce v. Chrysler Group LLC Pension Plan, 893 F.3d 339 (2018)

² Stone v. Gelinas, Civil Action No. 16-30087-MGM, 2017 U.S. Dist. LEXIS 116471, at *5-7 (D. Mass. Jan. 17, 2017)

³ Hoffman v. Textron, Inc., Civil Action No. 17-11849-FDS, 2018 U.S. Dist. LEXIS 113407, at *11 (D. Mass. July 9, 2018)

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