

Best Practices in Administering Benefit Claims #2 – Know (and Read) Your SPD

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Last week, we kicked off our blog series on the fundamentals of benefit claim administration with an explanation of how important it is to know and read your plan document. The plan document is the legally binding contract that describes each participant's rights and benefits under the plan. It also guides the legal obligations and protections for the plan administrator and other plan fiduciaries responsible for plan administration. This week, in part two, we review the importance of the summary plan description.

Many plan documents are accompanied by a separate summary plan description. Under ERISA, a summary plan description is precisely what it sounds like—an easy to understand summary of the plan document. Applicable ERISA regulations explain the specific types of information that must be included in the summary plan description, depending on the type of plan in question. Case law also has, from time to time, imposed requirements to include additional information. Separately, based on years of experience, we, as practitioners, have developed recommended language or SPD terms that help clarify plan terms and provide protection against misrepresentations or misunderstandings. Plan sponsors and fiduciaries are well-advised to periodically read their summary plan descriptions to ensure that they comply with all available guidance, are consistent with the plan documents, and have not inadvertently omitted required information. Although the plan document, not the summary description, is supposed to “rule” in court, inconsistencies and inadvertent omissions have given rise to costly, unnecessary litigation. A little bit of effort now, may avoid a large, costly headache later on.

Is it possible that a plan and summary plan description can be one and the same document? Yes. This is found particularly in the context of health plans or other “welfare benefit plans” under ERISA. Practitioners regularly discuss with clients questions of format and presentation as part of an overall compliance review.

Finally, remember, a good summary plan description doesn't do anyone any good if it is not timely and appropriately distributed to plan participants. There are various ways to distribute a summary plan description, including through electronic means. ERISA regulations should be considered carefully in deciding how to proceed.

Stop by next week when we discuss authorized representatives and assignments.

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