

D.C. Circuit Rules that ERISA Plan Participant's Release Extends to Fiduciary Breach Claims On Behalf of The Plan

Employee Benefits & Executive Compensation Blog on **March 26, 2020**

On March 24, 2020, the D.C. Circuit Court upheld a district court ruling that an ERISA plan participant's broad release of claims includes breach of fiduciary duty claims against ERISA plan fiduciaries, notwithstanding the release's carve-out for any "claims for vested benefits." The ruling extinguishes a participant's class action claims under ERISA sections 502(a)(2) and (a)(3) that 403(b) plan fiduciaries breached their fiduciary duties of prudence and loyalty by paying excessive recordkeeping fees and allowing participants to invest in investment options that were more expensive and underperformed comparable options available in the market.

Two years before filing the lawsuit, plaintiff and George Washington University (GWU) agreed to resolve an unrelated suit and entered into a settlement agreement and general release wherein plaintiff agreed to release all "claims for violation of any federal statute." The release included a carve-out for any "claims for vested benefits under employee benefit plans." GWU moved to dismiss the lawsuit on the ground that the plaintiff lacked standing because she had released her claims under the terms of the settlement agreement. The district court granted the motion and concluded that the carve-out "plainly" referred to plan-based claims for benefits typically brought pursuant to ERISA section 502(a)(1)(B) and not statutory ERISA claims for breach of fiduciary duty under ERISA sections 502(a)(2) and/or (a)(3). In a brief *per curiam* order, the D.C. Circuit affirmed the district court decision ruling that plaintiff had "released her ERISA claims as part of a prior settlement."

The case is *Stanley v. George Washington University, et al.*, No. 19-7079 (D.C. Cir. March 24, 2020).

Proskauer's Perspective: By upholding the district court ruling, the D.C. Circuit ruling provides assurances to Plan sponsors that the requirement to carve-out of general releases individual claims for vested benefits will not leave open the door to representative claims for fiduciary breach. The district court decision did not directly discuss other related questions that have been addressed by other circuit courts in similar cases, including whether an employee may lawfully release claims brought on behalf of the plan under ERISA section 502(a)(2). But by implication, the decision may be viewed as authorizing such releases. The decision may likewise provide support to defendants seeking to enforce employee agreements containing class action waivers in favor of individual arbitration, in response to ERISA claims brought on behalf of the plan.

[View Original](#)