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Third Circuit Holds No Deference Due Where Administrator Fails to Articulate an Interpretation of an Ambiguous Plan Term

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In most cases, denials of ERISA plan benefits by administrators who have been granted discretionary authority to interpret and apply the plan are reviewed under an abuse of discretion standard, and may only be reversed if the denial was arbitrary and capricious. Such deference, however, is not without limits, and there are circumstances in which courts will instead engage in a *de novo* review. That is what happened in *Rombach v. Plumbers Local Union No. 27 Pension Fund*, No. 24-2482, 2025 WL 3110791 (3d Cir. Nov. 6, 2025), where the Third Circuit held that a multiemployer pension plan's suspension of a participant's early-retirement benefits was subject to *de novo* review because the plan failed to adequately explain the basis for denial in its letter denying the participant's appeal.

Rombach concerned a claim for pension benefits from the Plumbers Local Union No. 27 Pension Fund. Participants were eligible to receive early-retirement benefits upon reaching age 57, completing ten years of service, and ceasing covered employment. The plan required benefits to be suspended if the participant subsequently became re-employed in the plumbing and pipefitting industry, which was defined in the plan to mean employment in a "trade or craft" utilized in the industry in which the participant was employed at the time his benefits commenced. The Fund's trustees were the named plan administrator, and the plan delegated them broad discretionary authority to interpret the plan's terms and to determine eligibility for benefits.

The plaintiff in *Rombach* was a unionized project manager for a contributing employer to the Fund. The employer contributed to the Fund on his behalf until 2009, when he was promoted to senior project manager. Because this was a non-union position, the employer ceased making further contributions to the Fund on his behalf. Upon satisfying the plan's age and service requirements, the participant applied for his early-retirement benefits. The plan determined that the participant was eligible to receive his early-retirement benefits under the plan's age and service requirements, but suspended his benefits because the trustees determined that his work as a senior project manager constituted re-employment in the plumbing and pipefitting industry. After exhausting the plan's internal appeal process, the participant sued, asserting that his benefits were wrongfully suspended.

The district court reversed and granted summary judgment in favor of the participant. Even under a deferential standard of review, the court held that the administrator's determination that the participant was re-employed in the plumbing and pipefitting industry was arbitrary and capricious because the plan had failed to address material differences between the project manager and senior project manager positions, including the fact that one position was unionized and required the employer to make pension contributions while the other was not.

The Third Circuit affirmed, but on different grounds. As an initial matter, the Third Circuit held that the plan's determination was not entitled to deferential review because it had failed to articulate how it had interpreted the term "trade or craft" and had offered only a conclusory statement that the senior project manager role was a "trade or craft" utilized in the industry. The Third Circuit reviewed *de novo* the meaning of "trade or craft," and held that it requires some amount of manual or artistic skill. The court held that the participant's role as a senior project manager did not meet this standard because he worked in a "professional office environment," and restored his pension benefits.

Proskauer's Perspective

The Third Circuit's decision highlights the importance for plan administrators to adequately document and communicate benefit decisions. The plan granted the plan administrator discretionary authority to interpret the plan's terms, which in the normal case would set a high bar to overturn the plan's determinations. But because the Third Circuit determined that the plan administrator's denial of the participant's appeal did not adequately explain the basis for the denial, the plan forfeited those protections altogether, and the participant's benefits were reinstated. While there is no telling whether the Third Circuit would have ruled differently under a deferential standard of review, the decision underscores the need for plan administrators to create a defensible administrative record that adequately explains how it interpreted and applied the plan's terms.

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