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U.S. Supreme Court Rejects Class-Wide Relief for Summary Plan Description Miscommunication

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In *Amara v. Cigna*, No. 09-804 (U.S. May 16, 2011), the Supreme Court reversed and remanded a lower court ruling that had posed a substantial threat to employer plan sponsors by subjecting them to class-wide relief for a miscommunication without requiring any showing of harm.

The Court rejected outright the lower court's rationale, and the rationale advocated by the plaintiff and the Department of Labor, that a claim for a faulty summary plan description (SPD) can be pursued as a contractual claim for benefits, such that the court can enforce the terms of the SPD, as understood by the participants, instead of the terms of the plan itself. The Court correctly concluded that the SPD is merely meant to be a summary of the plan, and thus the mistaken terms of the SPD should not be enforced as a contractual matter.

Although the Court did remand in order to allow the lower court to consider whether the relief it had imposed could still be fashioned as an equitable matter (and suggested in dicta that the scope of appropriate equitable relief may encompass monetary payments), it placed significant obstacles to such relief by making clear that any imposition of equitable relief — whether in the form of equitable estoppel, plan reformation, or surcharge — must be conditioned on the showings of fraud and/or harm that courts in equity would have required as a condition for fashioning such relief.

In short, the Court rejected the notion that there is a "one size fits all" approach to claims based on faulty communications, such that all participants automatically recover additional benefits that were never intended under the terms of the plan.

A detailed summary and analysis will appear in our next monthly Newsletter due to be published in early June.

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