U.S. Supreme Court Adopts The Plan Document Rule for ERISA Plans

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This week, the U.S. Supreme Court held in *Kennedy v. Plan Administrator for DuPont Savings and Investment Plan*, that a plan administrator met its obligations under the Employee Retirement Income Security Act ("ERISA") when it paid out benefits in accordance with plan documents but in contravention of a divorce decree. The decision establishes a straightforward "plan document" rule regarding benefits: Employers are permitted to create a uniform procedure for processing claims and paying out benefits and may rely on that procedure when administering the plan.

In *Kennedy*, DuPont maintained a retirement plan for its employees. Participants were able to designate beneficiaries in the event of their death, and the plan permitted beneficiaries to disclaim any benefits. If, at the time of a participant's death, there is no surviving spouse and no beneficiary designation, the plan provided that benefits would be paid to the participant's estate.

William Kennedy was a participant in the plan and had named his wife Liv as his sole beneficiary. William and Liv divorced thereafter, and, as part of the divorce decree, Liv waived her right to any retirement benefits arising out of William's employment. However, William did not execute any documents to remove Liv as his beneficiary, and Liv did not file any disclaimer of benefits with the plan. Upon William's death, the plan distributed benefits to Liv based upon the original beneficiary designation.

William's estate sued the plan, arguing that the divorce decree controlled and that the benefits should have been paid to the estate. The district court held that the divorce decree was a valid waiver of benefits by Liv and ordered the plan to pay the benefits to the estate. The Court of Appeals for the Fifth Circuit reversed on the grounds that the divorce decree was invalid.

On certiorari, the Supreme Court disagreed with the Fifth Circuit's analysis that the waver was invalid but nonetheless agreed with its conclusion that Liv, not the estate, was entitled to the benefits. The Court explained that the estate's claim depended on the terms of the plan documents, not the validity of the waiver. Here, the plan had a process by which William could have removed Liv as his beneficiary or by which Liv could have disclaimed an interest in the benefits. Because neither procedure had been followed, the Supreme Court held that the plan correctly paid the benefits to Liv according to the beneficiary designation form on file. The Court explained that employers may establish uniform rules for administering the plan and provide clear instructions to participants about those rules. In its view, allowing a plan administrator to act in accordance with plan documents simplifies plan administration, avoids the potential for double liability and ensures that beneficiaries obtain benefits quickly.

The decision in *Kennedy* is intended to minimize disputes about who is a proper beneficiary and how claims for benefits will be processed. The Court's plan document rule means that employers should ensure that they have established clear rules for benefit plan administration and communicated those rules to participants. Absent such rules, plans may be required to review external documents that might affect the dispensation of benefits or even go to court to determine who is a proper beneficiary.

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