

Supreme Court unanimously affirms role of uniform bright-line rules for post-divorce pension benefits for private sector ERISA plans:

In a unanimous decision released by the United States Supreme Court on January 26th, the Court held that outdated beneficiary forms prevail over more recent but conflicting divorce decrees. In so ruling, the Court recognized the importance of following official pension plan documents and forms, even if awarding benefits to a former spouse might not have been intended by the member.

The case involves a private sector ERISA plan for employees of the chemical company, E.I. DuPont. After getting married, William Kennedy, designated his wife as his beneficiary in 1974. When the couple divorced twenty years later, the former wife agreed to surrender all pension rights as part of the resulting divorce decree. As is all too common when forms are not updated, the former wife continued to be listed as the plan beneficiary. The husband listed his daughter as his beneficiary on a new beneficiary designation for another pension plan, but neglected to update the beneficiary form for the DuPont plan at issue. Further complicating matters, the divorce decree purporting to waive the former's wife's pension rights was not an official qualified domestic relations order (QDRO).

Upon the husband's death, the plan relied on the outdated beneficiary form and paid the balance of \$400,000.00 to the former spouse. The estate and daughter sued the plan claiming that the divorce decree constituted an enforceable waiver of benefits. Based on a split among the circuits on this issue, the Supreme Court granted certiorari on the question of whether a divorced spouse may waive pension benefits through a divorce decree not meeting the formal requirements of a QDRO.¹

In reaching its decision, the Court relied upon ERISA requirements that plan administrators manage ERISA plans "in accordance with the documents and instruments" governing the plan. The Court also looked to trust law concepts which underlie and inform the federal ERISA statute. Perhaps most importantly, the Court's reasoning was also motivated by the practical policy of adhering to straight-forward, bright-line rules. While it is true that strict adherence to uniform rules and procedures may undermine actual intent in particular circumstances. Nevertheless, the Court recognized the imperative to minimize the administrative and financial burdens of forcing plans to resolve factually complex and subjective determinations of intent.

Readers should be aware that the DuPont case is not the last word on this topic. The Court left unresolved several remaining questions. For example, the Court observed that it was leaving open the subject of whether a former spouse might be required to surrender windfall benefits to the intended beneficiary. Prior contractual agreements and waivers may thus be enforceable, but not against the pension plan. It should also be recognized that the outcome would have been very different if a QDRO had been entered, in contrast to the inadequate divorce decree.

¹ Governmental plans are generally exempt from ERISA requirements. For that reason, governmental plans are not subject to customary QDRO obligations set forth in 29 USC 1056 et seq.

Kennedy v. Plan Administrator for DuPont Savings and Investment Plan, 2009 WL 160440 (07-636).