

CIGNA Corp. v. Amara – What the Decision Means for Plan Sponsors

American Benefits Council
Benefits Briefing Webinar
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Overview

- Factual & Legal Background
- District Court's Opinion
- Supreme Court's Opinion
- Observations
- Questions?



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Factual & Legal Background

- Factual Background
 - CIGNA's conversion of pension plan to cash balance benefit formula
 - CIGNA's descriptions of the new cash balance plan
- Legal Background
 - ERISA § 502(a)(1)(B)
 - recover benefits due
 - enforce rights
 - clarify rights
 - ERISA § 502(a)(3)
 - "catch all" provision
 - appropriate equitable relief



Cigna Corp. v. Amara District Court's Opinion

- District court found ERISA violation based on misleading communications to CIGNA participants
- In fashioning a remedy, District court applied presumption of “likely harm” stemming from misrepresentations



Cigna Corp. v. Amara Supreme Court's Opinion

- Supreme Court agreed to resolve circuit split on the applicable standard of harm
- Court rejected reliance on ERISA section 502(a)(1)(B) to reform the plan's terms
- Court disagreed with DOL that "plan terms" had been changed with revision of SPD



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Supreme Court's Opinion (Cont'd)

- According to the Court, the SPD and plan document are distinct, and SPD cannot be read to amend the plan
- In *dicta*, Court pointed out that relief may be available under ERISA section 502(a)(3):
 - Reformation of contract
 - Estoppel
 - Surcharge



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Supreme Court's Opinion (Cont'd)

- Supreme Court remanded the matter back to the District Court to determine:
 - ERISA section 502(a)(3) remedy
 - ERISA section 204(h) remedy

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Observations - SPD


- The relevance and/or enforceability of the SPD post-*Amara*
 - The terms of the SPD do not necessarily trump the plan, and changes to the SPD alone may not be treated as changes to plan.
 - Court said, “An SPD is separate from a plan and cannot amend a plan unless the plan so provides.”
 - SPD still a central means of communicating plan terms to participants – but miscommunications may now be actionable under ERISA section 502(a)(3)



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Observations – Communications

- Best practices for communications with participants & plan amendments
 - Adopt formal plan amendments (e.g., resolution adopted by party with amendment authority) so clear roadmap of changes
 - Avoid discrepancies between plan terms and participant communications/SPD
 - Review informal communications to make sure clear and consistent with plan terms



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Observations - Remedies

- The scope of equitable relief afforded under ERISA section 502(a)(3) post-*Amara*:
 - Monetary compensation in form of surcharge
 - Legal standard for determining harm
 - What constitutes actual harm?
 - Is a showing of detrimental reliance necessary?
 - Class action treatment
 - Benefits claims packaged as fiduciary breach claim



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Observations – Welfare Plans

- Many welfare plans rely on a “wrap” document, which wraps around SPD or insurance policies. Other plans use the same document for the SPD and plan document.
 - Be clear how documents fit together.
 - If “wrapping around” SPD, clearly state in plan document that SPD/policies are incorporated by reference and considered part of plan document.
 - Be clear that amendment to SPD (or any document that is incorporated by reference) is considered amendment to plan.
 - If treating SPD as plan document, clearly state and do not reference a separate plan document. Spell out amendment authority.

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Observations – Retirement Plans

- Plan operations are often spelled out in an administration manual – review this against plan document, SPD, standard communications.
- Also review all formal plan communication materials, such as distribution forms and enrollment packages.
- Review on-line materials, including benefit calculators.
- Ask plan service providers to review consistency of operations and documents.
- Look for discrepancies and ambiguities. Consider appropriate revisions.



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Observations – Top Hat Plans

- Not subject to fiduciary responsibility rules of Part IV of Title I of ERISA
- But enforcement provisions of Section 502 apply
- ERISA claims traditionally brought as claim for benefits under 502(a)(1)(B)
 - Unilateral contract theory
- Misrepresentations
 - Estoppel
 - ERISA § 502(a)(1)(B) v. § (a)(3)?

Questions?

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