ERISA Principle – The Plan Documents Control:
Consequences of the Failure to Update Beneficiary Designations
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In 2009, the United States Supreme Court reemphasized that an ERISA plan's documents control, even in the face of clear evidence of the plan participant's intentions to the contrary. See *Kennedy v. Plan Administrators for DuPont Savings and Investment Plan*.

In *Kennedy*, the plan participant died in 2001, leaving pension benefits of $400,000 in the DuPont plan. In 1974, while he was married the participant had designated his wife as his beneficiary on this ERISA plan. They divorced in 1994 subject to a decree which provided that the ex-wife was "divested of all right, title, interest and claim in and to…the proceeds [from]…[any] retirement plan, pension plan, or like benefit or program." This document, however, did not satisfy the requirements of a qualified domestic relations order (QDRO). The participant never changed the beneficiary designation on his retirement account, presumably relying on his ex-wife's divestment of all rights to or benefits from his retirement.

After the participant died, his ex-wife who was named beneficiary and his daughter (as representative of his estate) both filed claims for the benefits with the plan administrator. The plan administrator paid the pension benefits to the ex-wife, the designated beneficiary. The participant's estate then sued the plan to recover the benefits, claiming the payment should have been paid to the participant employee's estate as provided under the plan when there was no surviving spouse and no beneficiary designation was in effect.

Eventually, after eight years and likely hundreds of thousands of dollars in attorney fees, the dispute reached the United States Supreme Court. The question the Court addressed was whether a waiver of plan benefits that was inconsistent with the ERISA plan's documents (in this case the beneficiary designation) was effective. The Supreme Court answered that it was not effective. It found that ERISA's statutory scheme is built around reliance on the face of written plan documents and explained that by giving a plan participant a clear set of instructions for making his own instructions clear, ERISA "forecloses any justification for enquiries into nice expressions of intent, in favor of the virtues of adhering to an uncomplicated rule: simple administration, avoiding double liability and ensuring that beneficiaries get what is coming quickly, without the folderol essential under less-certain rules."

The participant could have changed his beneficiary designation very easily at any time before his death, and he did not. The plan administrator must act according to plan documents—including the beneficiary designation or an order qualifying under QDRO (which they say is also a plan document). This, the Court says, spares the administrator from "litigation-fomenting ambiguities" trying to figure out if a claimed waiver was knowing and voluntary, applies to the benefits at issue, etc. Therefore, the Supreme Court found the plan documents control and the funds must be paid to the participant's designated beneficiary, his ex-wife.

A recent case in the District Court for the Western District of Washington, *Metropolitan*

Life Insurance Company v. Gulino, addressed similar issues and reached the same conclusion. In that case Ms. Gulino was married to a man who was insured under several Metropolitan life insurance policies through his employment. In 1991, he named his wife Ms. Gulino beneficiary of these policies. They divorced in 1993 and the divorce decree awarded him the policies insuring his life as his separate property. He also never changed his beneficiary designation after the divorce even though he remarried in 1999. He was killed in 2006 and his ex-wife Ms. Gulino and his current wife (widow) both claimed to be entitled to the insurance proceeds which were over $1 million. Relying on *Kennedy* the court held that the plan documents controlled and where the ex-wife Ms. Gulino was designated as beneficiary, the funds must be paid to her.

Kennedy suggests that there might be a possibility that the decedent's estate might be able to sue the beneficiary to enforce the divorce decree and recover the funds after they are paid out by the ERISA plan, but this is not a concern of the plan administrator. The plan administrator should only be concerned with following the plan, and avoiding liability and litigation.

There are two lessons to be learned from these cases.

- Plan administrators must follow the plan documents when disbursing funds and not get caught up in external controversies.
- Participants should be regularly encouraged to make sure that their beneficiary designations for all ERISA plans reflect their current intentions and should be informed on a regular basis of the consequences of their failure to keep those designations up to date.