

Supreme Court Holds That ERISA Defined-Benefit Pension Plan Participants Do Not Have Article III Standing To Sue For Fiduciary Breach

Client Alert | June 1, 2020

Decided June 1, 2020

Thole v. U.S. Bank, N.A., No. 17-1712

Today, the Supreme Court held 5-4 that participants in defined-benefit pension plans lack Article III standing to sue under ERISA for alleged breach of fiduciary duties because, whether or not they prevail in the action, they will receive the same payments for the rest of their lives.

Background:

Section 502(a)(2) and (a)(3) of the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. § 1132(a)(2) and (a)(3), authorize civil actions for breach of fiduciary duty with respect to employee pension benefit plans. Petitioners are participants in U.S. Bank's defined-benefit pension plan, which guarantees lifetime fixed periodic payments. Although petitioners have received all payments to which they are entitled, they sued U.S. Bank for breach of fiduciary duty, alleging that plan fiduciaries did not appropriately manage the plan's assets, causing the assets to fall below the minimum funding level that ERISA requires, and that investment of plan assets in mutual funds offered by a U.S. Bank subsidiary caused the plan to pay higher investment fees than it would have paid for other, similar mutual funds. U.S. Bank moved to dismiss, arguing that petitioners lacked Article III standing because they did not suffer an injury-in-fact. The district court granted the motion. The Eighth Circuit affirmed, but not on Article III grounds. The Court held that ERISA does not permit defined-benefit plan participants to sue for alleged breach of fiduciary duty when they have received all benefits to which they are entitled under the plan.

Issues:

Whether an ERISA defined-benefit plan participant or beneficiary can demonstrate Article III standing to bring claims alleging breach of fiduciary duty under ERISA Section 502(a)(2) or (a)(3) when the participants and beneficiaries have received all benefits to which they are contractually entitled.

Court's Holding:

No. A participant or beneficiary in a defined-benefit ERISA plan who has received all vested benefits—and who has not shown a “substantially increased risk that the plan and employer would both fail”—cannot show the requisite injury-in-fact for Article III standing to sue for alleged breach of fiduciary duty.

“If [petitioners] were to win this lawsuit, they would still receive the exact same monthly benefits that they are already slated to receive, not a penny more. The [petitioners]

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therefore have no concrete stake in this lawsuit.”

Justice Kavanaugh, writing for the majority

What It Means:

- Explaining that “[t]here is no ERISA exception to Article III,” a majority of the Court—the Chief Justice and Justices Thomas, Alito, Gorsuch, and Kavanaugh—held that petitioners lacked Article III standing “for a simple, commonsense reason: They have received all of their vested pension benefits so far, and they are legally entitled to receive the same monthly payments for the rest of their lives.” Petitioners also did not plausibly allege that “plan underfunding” created a “substantially increased risk” that the plan or employer “would both fail,” thereby jeopardizing future pension benefits.
- The Court rejected petitioners’ argument, based on trust-law principles, that they have an equitable or property interest in the plan’s assets, or the “financial integrity” of the plan. The benefits of trust beneficiaries depend on how well the trust is managed. By contrast, “a defined-benefit plan is more in the nature of a contract,” and “[t]he plan participants’ benefits are fixed and will not change, regardless of how well or poorly the plan is managed.”
- The Court also held that petitioners lacked standing to sue “as representatives of the plan itself” because they had not been “legally or contractually appointed to represent the plan.” Going forward, fiduciary breach claims concerning defined-benefit plans likely will need to be brought by the Department of Labor or co-fiduciaries.
- The Court’s ruling means that beneficiaries of ERISA defined-benefit pension plans generally will not be able to sue for breach of fiduciary duty unless the plan has failed to make required benefits payments, or it is likely that the alleged misconduct will render the plan insolvent.
- Although the Court was careful to distinguish defined-contribution plans, today’s opinion could impact other types of ERISA claims. For example, in cases challenging the administration of health benefits, the Court’s ruling may cast doubt on plaintiffs’ attempts to evade the limits on class certification by claiming class-wide breaches of fiduciary duty without tying those allegations to a class-wide deprivation of benefits.

The Court’s opinion is available [here](#).

Gibson Dunn’s lawyers are available to assist in addressing any questions you may have regarding developments at the Supreme Court. Please feel free to contact the following practice leaders:

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