



BENEFIT NEWS BRIEFS

Importance Of A "Reasoned" Response In Denials Of Benefit Claims and Appeals

A recent court case reiterated the importance of including a statement of "reasoning" when denying benefits in an *ERISA* plan. The case is *James R. Price v. Board of Trustees of Indiana Laborer's Pension Fund*, 2011 WL 4005334, (S.D. Ohio, 2011) and is available by "[clicking here](#)."

In this case, the plaintiff claimed his occupational disability benefits under a pension plan had vested as a matter of law and the plan's amendment limiting the benefit to two years duration was a violation of law. The Board of Trustees (Board) disagreed and terminated the benefit in light of the amendment as the plaintiff had received the benefit for more than two years.

Litigation ensued. The plaintiff originally won at the district court level with the district court agreeing the benefit had vested. The judgment was appealed by the Board to the Sixth Circuit Court of Appeals. While examining the issues on appeal, the Appeals Court indicated that the Trustees interpretation of the plan document that the benefit did not vest was not unreasonable and probably most accurate.

However, the Appeals Court did not rule on that issue as it found the district court failed to properly review the Board's decision under the "*arbitrary and capricious*" standard, which requires the court to uphold the Board's decision unless it is arbitrary and capricious. The Sixth Circuit vacated the judgment and remanded the case to the district court for review under arbitrary and capricious standard.

On remand, the district court found the Board's failure to articulate their reasoning process in denying the claim *resulted in the Trustees decision being "arbitrary and capricious" as a matter of law* and the plaintiff was therefore entitled to the benefit. (The Board's decision consisted merely of a one-page letter to the plaintiff briefly recounting the procedural history of the plaintiff's benefits followed by a paragraph concerning his appeal.) The district court decision essentially granted "vested" status to the benefit when the benefit most probably did not vest due to the lack of any reasoning to support the denial. (See the Sixth Circuit's decision for a discussion of "vesting" of welfare benefits by "[clicking here](#)." Under *ERISA*, a disability benefit is a "welfare" benefit even if part of a pension plan and does not generally vest.)

At least in the Sixth Circuit (MI, OH, KY and TN), where an administrator's decision "*reads like a conclusion, not a deliberate, principled reasoning process ... supported by substantial evidence, it cannot withstand scrutiny under the 'arbitrary or capricious' standard of review*" as a matter of law. In this case, on remand, the district court held the Board's failure to state the reasoning of its decision - or to in any way address whether the Plaintiff's benefits had vested - rendered its determination arbitrary and capricious. Thereby assuring victory for the plaintiff.

In cases where the denial fits squarely within plan terms, such as an early retirement benefit requiring the participant to reach a certain age, it seems like the "reasoning" needed to support a "denial" of benefits would be less than the reasoning needed to support denials for claims that involve possible plan document ambiguities or where the claimant specifies some alternative form of interpretation, such as happened in the *Price* case.

If someone has to be at least 55 to receive an early retirement benefit and he is only 50 when he applies, it doesn't take a lot of effort to state "*the benefit claim (or appeal) is denied because the participant does not meet the minimum age requirement of age 55, as set out at section x.xx of the plan document.*"

But, as in the *Price* case, where the claimant raises various arguments in support of his claim, the denial should address why the Board rejected the arguments instead of summarily denying the claim, as was done in *Price*. In particular, in *Price*, the district court stated:

The problem that this Court now faces is that the Board's decision did not include a statement of its reasoning. The decision consisted of a one-page letter to the Plaintiff briefly recounting the procedural history of the Plaintiff's benefits followed by a paragraph concerning his appeal. That paragraph reads in full as follows:

The Fund Office received a written appeal, from your Attorney Tony Merry, in regard to the above stated benefit. The appeal was reviewed at the Pension Appeal Committee meeting on February 21, 2007. The Committee's decision was to uphold the denial of Occupational Disability Benefits.

Nor was the Trustees' initial notice of the termination of benefits more elaborate. That notice merely quoted the Plan amendments and stated that the Plaintiff was no longer eligible for Occupational Disability Benefits. As the Plaintiff notes, neither of these decisions interpreted the term "vested,"....

Other Appellate courts have also looked suspiciously at cursory denials and have "*refused to allow claimants 'to be sandbagged by after-the-fact plan interpretations devised for purposes of litigation.'*" In light of *Price*, Boards should make certain that any denial or denial on appeal contains a reasoned response commensurate with the type of benefit claim at issue and that addresses the claimant's arguments in support of his claim. A curt "*DENIED*" won't suffice.

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