

COURT DENIES ESOP PARTICIPANT'S CLAIM FOR ADDITIONAL BENEFITS

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Employee Benefits

An employee participated in his employer's employee stock ownership plan (ESOP). When the employee terminated his employment in 2012, approximately 3,770 shares of employer stock were allocated to his ESOP account. In 2013, the employee exchanged the shares allocated to his ESOP account for cash, and received a distribution of his ESOP account balance in the amount of \$146,832. The share value was determined using a 2012 stock valuation. Following receipt of his lump-sum cash-out, the employee filed a claim with the ESOP in which he asserted that he had expected his stock would be exchanged for cash using the higher 2013 stock valuation. Had the higher valuation been used, the employee claimed that his ESOP distribution would have been approximately \$36,000 higher. The ESOP denied the employee's claim, and the employee subsequently commenced a lawsuit in which he alleged that the ESOP sponsor, as the administrator of the ESOP, violated its ERISA fiduciary duties and owes him additional benefits. The ESOP sponsor moved for summary judgment on both claims, and a federal district court judge granted the motion.

As to the fiduciary breach claim, the employee contended the ESOP sponsor breached its fiduciary duty by failing to provide clear documents and information. The court was not persuaded by the employee's assertion that the language of a 2011 summary plan description (SPD) was misleading because it called for the stock to be valued at the stock's "fair market value" when the value of the stock is distributed. The court ruled that the 2011 SPD does not take the place of the actual ESOP plan document – the ESOP document, as amended, expressly provided that the exchange rate used to purchase the stock allocated to the employee's ESOP account would be "based on the value determined at the most recent valuation date." The court also ruled that the ESOP sponsor was not shown to have the intent (i.e., an intent to disadvantage or deceive plan participants) needed to justify the breach of fiduciary duty claim.

As to the employee's request for relief in the form of additional benefits due to him under the ESOP, the court also denied that claim. The court ruled that the ESOP's decision to deny the employee's additional benefit request was "based on a reasonable explanation of relevant plan documents," and that using the 2012 stock valuation for the exchange rate was "eminently reasonable." *Lee v. Holden Industries, Inc.* (N.D. Ill. 2016)