

EMPLOYER WHO CLEARLY COMMUNICATED ELECTION PROCESS FOR LUMP SUM RETIREMENT BENEFIT PREVAILED AGAINST CLAIMS OF ARBITRARY AND CAPRICIOUS BENEFIT DENIAL

Hodgson Russ Newsletter
June 29, 2017

Practices & Industries

Employee Benefits

Retiree John Strang was receiving a pension from Ford Motor Company when the company announced it would offer participants the option to take a lump sum distribution of their remaining retirement benefit. Ford offered staggered election periods, assigned randomly, and required participants to complete an election package. No exceptions were offered to this procedure.

Shortly after Ford's announcement of the lump sum election opportunity, Strang was diagnosed with terminal cancer. Strang made multiple calls requesting an expedited election, but was refused. He also wrote to the company purporting to elect a lump sum option. Strang died before his assigned election period and Ford denied his widow's request for a lump sum payment because Strang did not submit the required election forms during his assigned election window.

Strang's widow appealed the resulting \$463,254 reduction in her benefit. Ford denied her appeal and prevailed in federal district court against the widow's claims that the denial of Strang's lump sum benefit election was arbitrary and capricious and constituted a breach of fiduciary duty.

The Sixth Circuit upheld the district court's determination that Ford did not act in an arbitrary and capricious manner because the plan clearly provided that completing the election package during an assigned enrollment window was a prerequisite to receiving a benefit. The Sixth Circuit held that Strang's impending death did not obligate the employer to create a new claim system based on his unique circumstances. Fiduciary claims were also dismissed because they were duplicative of the widow's claim for benefits and did not identify a separate harm to the plan to justify alternative relief. *Strang v. Ford Motor Co. Gen'l Ret. Plan*, (6th Cir., 2017).