

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Mendez v. Teachers Insurance & Annuity Ass'n

982 F.2d 783 (2d Cir. 1992) · Decided December 28, 1992

SUMMARY

The Second Circuit affirmed a judgment awarding Carmen Mendez annuity proceeds and attorney’s fees, costs, and disbursements in an ERISA dispute. The court held that TIAA-CREF unreasonably delayed commencing an interpleader action and therefore was not entitled to discharge from liability or attorney’s fees. The court also upheld the fee award to Mendez and affirmed the denial of prejudgment interest.

CASE DETAILS

COURT	United States Court of Appeals for the Second Circuit
WRITING FOR THE COURT	Timbers, Circuit Judge; McLaughlin; Miner; Timbers
JURISDICTION	Federal
DECIDED	December 28, 1992
DISPOSITION	affirmed
PROCEDURAL POSTURE	TIAA-CREF appealed the denial of its motions for discharge from liability and attorney's fees, and challenged the award of attorney's fees, costs, and disbursements to Mendez. Mendez cross-appealed the denial of prejudgment interest.
STANDARD OF REVIEW	Denial of discharge under 28 U.S.C. § 2361 and awards or denials of attorney's fees were reviewed for abuse of discretion. The amount of an ERISA attorney's-fee award was also reviewed for abuse of discretion. The governing prejudgment-interest determination was discretionary.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) v. Carmen Guaus Mendez

TOPICS

- interpleader
- attorney fees
- prejudgment interest
- insurance
- appellate procedure

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether TIAA-CREF was entitled to discharge from further liability under 28 U.S.C. § 2361 despite delaying commencement of the interpleader action.
2. Whether the district court properly awarded Mendez attorney's fees, costs, and disbursements under ERISA and denied attorney's fees to TIAA-CREF.
3. Whether the amount of Mendez's attorney's-fee award was excessive.
4. Whether Mendez was entitled to prejudgment interest on the annuity proceeds.

HOLDINGS

1. A stakeholder that satisfies the statutory prerequisites for interpleader may nevertheless be denied discharge under 28 U.S.C. § 2361 when its unreasonable delay in commencing the action is accompanied by circumstances implying bad faith. TIAA-CREF's unreasonable delay justified denial of discharge.
2. The district court did not abuse its discretion by awarding Mendez attorney's fees, costs, and disbursements under 29 U.S.C. § 1132(g)(1), or by denying TIAA-CREF's request for fees.
3. The district court properly awarded Mendez \$20,190 in attorney's fees, costs, and disbursements.
4. Prejudgment interest is discretionary in an ERISA action and should be awarded only when fair, equitable, and necessary to fully compensate the wronged party; Mendez was not entitled to additional prejudgment interest.

KEY QUOTATIONS

“Without a court order of abandonment, Mendez plainly was entitled to the proceeds under ERISA and the Treasury Regulation.” (788)

“In view of Mendez’ plain entitlement to the proceeds, TIAA-CREF’s delay in commencing an interpleader action clearly was unreasonable and impliedly was commenced in bad faith.” (788)

“Rather, prejudgment interest is a discretionary matter for the court and should be awarded only in cases where such an award is “fair, equitable and necessary to compensate the wronged party fully.”” (790)

FACTUAL BACKGROUND

TIAA-CREF held retirement annuity proceeds payable to Carmen Mendez as the surviving spouse of Leocadio V. Diaz. After Diaz's estate asserted that Mendez had abandoned Diaz, TIAA-CREF withheld the proceeds even though the estate produced no court order of abandonment, which was required for a nonconsensual waiver of ERISA spousal benefits. TIAA-CREF delayed commencing interpleader until after Mendez sued, and the funds were deposited in court on August 1, 1991. Investment earnings had accrued on the proceeds before deposit, and Mendez did not obtain a court order for interest on the funds while held by the court.

PROCEDURAL HISTORY

Mendez brought an action in New York County Supreme Court to recover retirement annuity proceeds. TIAA-CREF removed the action to the Southern District of New York, filed an interpleader counterclaim, and deposited the disputed funds with the district court. The district court granted Mendez summary judgment, denied TIAA-CREF's request for discharge and attorney's fees, awarded Mendez \$20,190 in attorney's fees, costs, and disbursements, and denied prejudgment interest in the final judgment. The Second Circuit affirmed.

DISPOSITION

affirmed

CASES CITED

- New York Life Ins. Co. v. Connecticut Dev. Auth., 700 F.2d 91 (2d Cir. 1983)
- Mendez v. Teachers Ins. and Annuity Ass'n, 789 F. Supp. 139 (S.D.N.Y. 1992)
- Chambless v. Masters, Mates & Pilots Pension Plan, 815 F.2d 869 (2d Cir. 1987)
- Ford v. New York Central Teamsters Pension Fund, 642 F.2d 664 (2d Cir. 1981) (per curiam)
- Ford v. New York Central Teamsters Pension Fund, 506 F. Supp. 180 (W.D.N.Y. 1980)
- Chambless v. Masters, Mates & Pilots Pension Plan, 885 F.2d 1053 (2d Cir. 1989), cert. denied, 110 S. Ct. 2587 (1990)
- Clarke v. Frank, 960 F.2d 1146 (2d Cir. 1992)
- DiFilippo v. Morizio, 759 F.2d 231 (2d Cir. 1985)
- Katsaros v. Cody, 744 F.2d 270 (2d Cir. 1984), cert. denied, 469 U.S. 1076 (1984)
- Wickham Contracting v. Local Union No. 3, IBEW, 955 F.2d 831 (2d Cir. 1992), cert. denied, 113 S. Ct. 394 (1992)