

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

New York State Nurses Association Benefits Fund v. The Nyack Hospital

No. 20-378, 20-425, United States Court of Appeals for the Second Circuit (August 19, 2022)

SUMMARY

****Key Legal Topics:**** ERISA; Multiemployer Benefit Fund Audit Authority; Fiduciary Duty; Trust Agreement Interpretation; Scope of Payroll Records; **Central States v. Central Transport** (472 U.S. 559). ****Holdings:**** The Second Circuit held that an ERISA multiemployer benefit fund was contractually authorized under its Trust Agreement to audit all payroll and wage records of a participating employer, not merely records of employees the employer identified as covered by the collective bargaining agreement. The employer failed to present evidence that the requested audit constituted a breach of the fund trustees' fiduciary duties of loyalty or prudence. The district court erred in limiting the audit to registered nurses only; the fund was entitled to the broader records to independently verify contribution accuracy and identify all potential plan participants. The court reversed in part and affirmed in part, remanding for entry of judgment consistent with the opinion and consideration of a confidentiality order.

CASE DETAILS

COURT	United States Court of Appeals for the Second Circuit
WRITING FOR THE COURT	Lewis J. Liman; Susan L. Carney; William J. Nardini
JURISDICTION	Federal
DECIDED	August 19, 2022
DOCKET	20-378, 20-425
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from the United States District Court for the Southern District of New York (Briccetti, J.) order granting in part and denying in part cross-motions for summary judgment.
STANDARD OF REVIEW	De novo for summary judgment and interpretation of collective bargaining agreement.
PRECEDENTIAL VALUE	Published
PARTIES	New York State Nurses Association Benefits Fund v. The Nyack Hospital

TOPICS

erisa contracts summary judgment standard of review appellate procedure

PRACTICE AREAS

ERISA Labor Law Contracts

QUESTIONS PRESENTED

1. Whether the Trust Agreement authorizes the Fund to audit payroll records of all Nyack employees, not just registered nurses.
2. Whether the requested audit would violate the Fund's fiduciary duties under ERISA.

HOLDINGS

1. The Trust Agreement authorizes the Fund to audit the payroll and wage records of any Employer in connection with Employer Contributions, Employee Contributions, and/or reports. The language is broad and does not limit the audit to records of covered employees. The Trustees' good-faith interpretation is binding.
2. Nyack did not present evidence that the audit was an effort to expand plan coverage, acquire information for union goals, or was clearly wasteful. Therefore, the audit does not breach fiduciary duties.

KEY QUOTATIONS

"The Trustees may, at such times and places as may be appropriate, have an audit made by independent certified public accountants of the payroll and wage records of any Employer in connection with the said Employer Contributions, Employee Contributions, and/or reports." (at 15)

"We hold that, in the absence of evidence presented by an employer of a breach of the duty of loyalty or the duty of care, benefits plans like the Fund are entitled to require participating employers to submit to contractually permitted audits." (at 30)

"ERISA clearly assumes that trustees will act to ensure that a plan receives all funds to which it is entitled, so that those funds can be used on behalf of participants and beneficiaries, and that trustees will take steps to identify all participants and beneficiaries, so that the trustees can make them aware of their status and rights under the trust's terms." (at 13)

FACTUAL BACKGROUND

The Fund is a multiemployer employee benefit fund governed by ERISA. Nyack Hospital is a party to a collective bargaining agreement with NYSNA covering registered nurses. The Trust Agreement gives the Fund trustees broad authority, including the power to audit payroll and wage records of any employer in connection with employer contributions. The Fund sought to audit Nyack's payroll records for all employees to verify that Nyack was making required contributions for all eligible employees. Nyack objected, offering only records of employees it identified as registered nurses. The Fund sued to compel production.

PROCEDURAL HISTORY

The Fund sued Nyack for breach of contract and ERISA violations after Nyack refused to provide payroll records for all employees. The district court denied Nyack's motion to dismiss, then on cross-motions for summary judgment held that the Fund was entitled to records of registered nurses but not other employees. Both parties appealed.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Upon remand, the district court shall enter a final judgment consistent with the opinion and may consider whether and how to issue an appropriate confidentiality order.

CASES CITED

- Central States, Se. & Sw. Areas Pension Fund v. Central Transport, Inc., 472 U.S. 559 (1985)
- Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101 (1989)
- Celotex Corp. v. Catrett, 477 U.S. 317 (1986)
- N.Y. State Teamsters Conf. Pension & Ret. Fund v. Boening Bros., Inc., 92 F.3d 127 (2d Cir. 1996)
- Plumbers & Steamfitters Loc. No. 150 Pension Fund v. Vertex Constr. Co., 932 F.2d 1443 (11th Cir. 1991)
- NLRB v. Amax Coal Co., 453 U.S. 322 (1981)
- Schneider Moving & Storage Co. v. Robbins, 466 U.S. 364 (1984)
- US Airways, Inc. v. McCutchen, 569 U.S. 88 (2013)
- Nielsen v. Preap, 139 S. Ct. 954 (2019)
- Noel Canning v. N.L.R.B., 705 F.3d 490 (D.C. Cir. 2013)
- Morales v. Quintel Ent., Inc., 249 F.3d 115 (2d Cir. 2001)
- Chandok v. Klessig, 632 F.3d 803 (2d Cir. 2011)
- Marcic v. Reinauer Transp. Cos., 397 F.3d 120 (2d Cir. 2005)
- Int'l Union, United Auto., Aerospace, & Agric. Implement Workers of Am. v. Yard-Man, Inc., 716 F.2d 1476 (6th Cir. 1983)
- Electro-Mech. Corp. v. Ogan, 9 F.3d 445 (6th Cir. 1993)
- Allen v. Atl. Richfield Ret. Plan, 480 F. Supp. 848 (E.D. Pa. 1979)
- N.Y. State Teamsters Conf. Pension & Ret. Fund v. Boening Bros., Inc., 891 F. Supp. 81 (N.D.N.Y. 1995)
- La Barbera v. J.D. Collyer Equip. Co., 337 F.3d 132 (2d Cir. 2003)
- Varsity Corp. v. Howe, 516 U.S. 489 (1996)

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