SUPREME COURT OF THE UNITED STATES

LaRue v. DeWolff, Boberg & Associates, Inc.

552 U.S. 248 (2008) · No. No. 06-856 · Decided February 20, 2008

SUMMARY

The Supreme Court held that ERISA § 502(a)(2) authorizes a participant in a defined contribution plan to seek recovery for fiduciary breaches that impair the value of assets in the participant's individual account, provided the injury is a plan injury rather than an injury distinct from harm to the plan. The Court vacated the Fourth Circuit's judgment and remanded the case. Concurring opinions discussed whether the claim might instead proceed under ERISA § 502(a)(1)(B) and emphasized that recovery under § 502(a)(2) is for the plan.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	Justice Stevens; Chief Justice Roberts; Justice Kennedy; Justice Scalia; Justice Thomas
JURISDICTION	Federal
DECIDED	February 20, 2008
DOCKET	No. 06-856
DISPOSITION	vacated
PROCEDURAL POSTURE	Petitioner sought relief under ERISA §§ 502(a)(2) and 502(a)(3) for alleged fiduciary misconduct that impaired the value of assets in his individual account in a defined-contribution plan. The District Court granted respondents' motion for judgment on the pleadings, and the Fourth Circuit rejected petitioner's § 502(a)(2) argument and affirmed. The Supreme Court granted certiorari, vacated the judgment, and remanded.
STANDARD OF REVIEW	Review of the legal sufficiency of the asserted ERISA claim; the case was decided on a motion for judgment on the pleadings.
PRECEDENTIAL VALUE	binding
PARTIES	James LaRue v. DeWolff, Boberg & Associates, Inc., DeWolff, Boberg & Associates, Inc. 401(k) retirement savings plan, Other respondents

TOPICS

erisa employee benefits trusts remedies statutory interpretation

PRACTICE AREAS

employment law employee benefits erisa trusts remedies

QUESTIONS PRESENTED

1. Whether ERISA § 502(a)(2) authorizes a plan participant in a defined-contribution plan to recover for fiduciary misconduct that impairs the value of assets in the participant's individual account.
2. Whether the Court should decide whether the asserted make-whole relief is equitable relief under ERISA § 502(a)(3).

HOLDINGS

1. Although § 502(a)(2) does not provide a remedy for individual injuries distinct from injuries to the plan, it authorizes recovery for fiduciary breaches that impair the value of plan assets in a participant's individual account.
2. The Court did not decide whether petitioner's requested make-whole relief was equitable relief available under ERISA § 502(a)(3), because it resolved the case under § 502(a)(2).

KEY QUOTATIONS

> *"We therefore hold that although § 502(a)(2) does not provide a remedy for individual injuries distinct from plan injuries, that provision does authorize recovery for fiduciary breaches that impair the value of plan assets in a participant's individual account."* (552 U.S. at 256)

> *"For defined contribution plans, however, fiduciary misconduct need not threaten the solvency of the entire plan to reduce benefits below the amount that participants would otherwise receive."* (552 U.S. at 255-256)

> *"Although our grant of certiorari encompassed the § 502(a)(3) issue, we do not address it because we conclude that the Court of Appeals misread § 502(a)(2)."* (552 U.S. at 252)

FACTUAL BACKGROUND

LaRue participated in a DeWolff-administered ERISA-regulated 401(k) defined-contribution retirement plan that permitted participants to direct investments in their individual accounts. He alleged that in 2001 and 2002 he directed DeWolff to change investments but that DeWolff failed to carry out those directions. He claimed the omission reduced the value of his plan interest by approximately $150,000 and constituted a breach of fiduciary duty.

PROCEDURAL HISTORY

LaRue alleged that his former employer failed to execute investment directions for his 401(k) account, causing an approximately $150,000 depletion in his plan interest. The District Court held that the requested make-whole relief was monetary damages rather than equitable relief under § 502(a)(3) and granted judgment for respondents. The Fourth Circuit rejected the § 502(a)(2) claim on the ground that the provision protects the plan as a whole rather than an individual account. The Supreme Court vacated and remanded after holding that § 502(a)(2) can authorize recovery for fiduciary breaches impairing assets in a participant's individual account.

DISPOSITION

vacated

REMAND INSTRUCTIONS

The judgment of the Court of Appeals was vacated, and the case was remanded for further proceedings consistent with the opinion. The Court left unresolved whether petitioner complied with the plan's investment-direction requirements, whether exhaustion was required, whether the claim was timely, and whether § 502(a)(1)(B) provided the exclusive remedy.

CASES CITED

- Massachusetts Mut. Life Ins. Co. v. Russell, 473 U.S. 134 (1985)
- Varity Corp. v. Howe, 516 U.S. 489 (1996)
- Russell v. Massachusetts Mut. Life Ins. Co., 722 F.2d 482 (9th Cir. 1983)
- Zelinsky, The Defined Contribution Paradigm, 114 Yale L.J. 451 (2004)
- Harzewski v. Guidant Corp., 489 F.3d 799 (7th Cir. 2007)
- Hess v. Reg-Ellen Machine Tool Corp., 423 F.3d 653 (7th Cir. 2005)
- Varity Corp. v. Howe, 516 U.S. 489 (1996)
- Barnhill v. Johnson, 503 U.S. 393 (1992)
- Nachman Corp. v. Pension Benefit Guaranty Corporation, 446 U.S. 359 (1980)
- Coyne & Delany Co. v. Blue Cross & Blue Shield of Va., Inc., 102 F.3d 712 (4th Cir. 1996)
- Graden v. Conexant Systems Inc., 496 F.3d 291 (3d Cir. 2007)
- Fallick v. Nationwide Mut. Ins. Co., 162 F.3d 410 (6th Cir. 1998)
- Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101 (1989)
- Aetna Health Inc. v. Davila, 542 U.S. 200 (2004)
- United Parcel Service, Inc. v. Mitchell, 451 U.S. 56 (1981)
- Ali v. Federal Bureau of Prisons, 552 U.S. 214 (2008)