

An ERISA Plan's Contractual Limitations Period Is Enforceable, Says The U.S. Supreme Court

Labor & Employment Law Update

By Kelly Haab-Tallitsch on January 9, 2014

The U.S. Supreme Court continues to rule in favor of the ERISA plan document.

A disability plan's three-year limitations period doesn't violate the Employee Retirement Income Security Act (ERISA), a unanimous Court ruled on December 16, 2013 in *Heimeshoff v. Hartford Life & Accident Ins. Co.* "[A] participant and a plan may agree by contract to a particular limitations period, even one that starts to run before the cause of action accrues," held the Court. ERISA itself does not specify a statute of limitations for claims brought under covered plans.

In *Heimeshoff*, the plaintiff challenged her disability plan's limitations period because it began to run before she could exhaust her administrative remedies. The plan requires participants to bring suit within three-years after "proof of loss" is due. Proof of loss is due before a claim can be processed, and therefore before a plan's administrative remedies are exhausted. Because courts generally require a participant to exhaust all administrative remedies before seeking judicial review, this overlap can shorten the period of time in which a suit can be filed.

In her appeal, the plaintiff argued that permitting a limitations period to begin before the exhaustion of administrative remedies conflicts with the general rule that limitations periods begin upon the accrual of the cause of action. The Court rejected the argument, holding that parties can not only agree to the length of time of a limitations period, as long as it is reasonable and there is no controlling statute to the contrary, as previously held in *Order of United Commercial Travelers of America v. Wolfe*, 331 U.S. 586 (1947), but also as to when that limitation period begins.

The Court rejected the plaintiff's argument that the limitations period conflicted with ERISA's two-tiered remedial scheme by undermining the administrative review process and limiting judicial review. It found the suggestion that the scheme encourages participants to "shortchange their own rights" during the administrative review process "highly dubious," noting that plan participants have an interest in a thorough administrative review process.

Finding the availability of judicial review to be largely unaffected by limitations periods, the Court stated that in the handful of cases identified by the plaintiff where participants' claims were barred by a limitations period, the participants had not "diligently pursued their own rights." The Court added that existing judicial doctrines, such as estoppel and equitable tolling, are available to district courts to address situations in which a plan participant's rights have been adversely affected by a limitations period.

What Does This Mean?

On a practical note, if your ERISA plan has a three-year limitations period, it is most likely enforceable. If it doesn't have a limitations period, now is the time to speak with your counsel about putting one in.

But more importantly, this was another decision by the Supreme Court illustrating its preference for enforcing ERISA plan provisions **as written**, following its decision in *US Airways, Inc. v. McCutchen* earlier this year and a signal that courts will likely continue to enforce ERISA plan documents as written. This is good news for plans sponsors and participants as it keeps administration and litigation costs down, keeping plans available and affordable.

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