

673 F.3d 1162, 52 Employee Benefits Cas. 2089, 12 Cal. Daily Op. Serv. 3124, 2012 Daily Journal D.A.R. 3502
(Cite as: 673 F.3d 1162)

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United States Court of Appeals,
Ninth Circuit.
Charles D. SKINNER and Gregory A. Stratton, on
behalf of themselves and all others similarly situated,
Plaintiffs–Appellants,
v.
NORTHROP GRUMMAN RETIREMENT PLAN B
and Administrative Committee of Northrop Grumman
Retirement Plan B, Defendants–Appellees.

No. 10–55161.
Argued and Submitted Feb. 9, 2012.
Filed March 16, 2012.

Background: Participants in employee retirement benefits plan brought Employee Retirement Income Security Act (ERISA) action against plan administrator, challenging the calculation of benefits following a merger of multiple plans. The district court granted summary judgment in favor of administrator. Plaintiffs appealed. The Court of Appeals, 334 Fed.Appx. 58, reversed and remanded. On remand, the United States District Court for the Central District of California, John F. Walter, J., 2010 WL 679061, granted summary judgment in favor of administrator. Plaintiffs appealed.

Holdings: The Court of Appeals, Goodwin, Circuit Judge, held that:

- (1) intent of drafter of retirement plan to create “accurate and comprehensive” summary of retirement plan did not demonstrate that master document contained mistake;
- (2) inconsistency between retirement plan's summary plan description (SPD) and plan master document was not evidence of fraudulent inducement;
- (3) administrative committee did not breach its fiduciary duty by not enforcing terms of SPD instead of terms of plan master document; and
- (4) participants were not entitled to remedy of surcharge for advisory committee's mere breach of statutory duty.

Affirmed.

West Headnotes

[1] Reformation of Instruments 328 ↪20328 Reformation of Instruments328I Right of Action and Defenses328k15 Grounds for Reformation328k20 k. Mistake and fraud. Most CitedCases**Trusts 390 ↪57**390 Trusts390I Creation, Existence, and Validity390I(A) Express Trusts390k57 k. Reformation. Most Cited Cases

Under trust law or contract law, reformation is proper only in cases of fraud and mistake.

[2] Trusts 390 ↪57390 Trusts390I Creation, Existence, and Validity390I(A) Express Trusts390k57 k. Reformation. Most Cited Cases

In the law of trust, a court may reform a trust instrument to accord with the settlor's intent if there is evidence that a mistake of fact or law affected the terms of the instrument and if there is evidence of the settlor's true intent. Restatement (Third) of Trusts §§ 12, 62; Restatement (Third) of Property: Wills and Other Donative Transfers § 12.1; Restatement (Second) of Agency § 8D comment.

[3] Reformation of Instruments 328 ↪19(1)328 Reformation of Instruments328I Right of Action and Defenses328k15 Grounds for Reformation328k19 Mutuality of Mistake328k19(1) k. In general. Most CitedCases

In the law of contract, a court may reform a con-

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tract to reflect the true intent of the parties if both parties were mistaken about the content or effect of the contract; the court may reform the contract to capture the terms upon which the parties had a meeting of the minds. Restatement (Second) of Contracts § 155.

[4] Labor and Employment 231H ↪ 483(2)

231H Labor and Employment

231HVII Pension and Benefit Plans

231HVII(C) Fiduciaries and Trustees

231Hk479 Notice and Disclosure Requirements

231Hk483 Summary Plan Description

231Hk483(2) k. Inconsistency with plan document. Most Cited Cases

Intent of drafter of retirement plan, whether considered as settlor or as party to contract, to create "accurate and comprehensive" summary of retirement plan did not demonstrate that master document contained mistake, on claim under ERISA seeking reformation, although ambiguity existed between summary plan descriptions (SPDs) issued to employees in earlier years and plan master documents that actually were being enforced by plan administrators. Employee Retirement Income Security Act of 1974, § 502(a)(3)(B), 29 U.S.C.A. § 1132(a)(3)(B).

[5] Trusts 390 ↪ 57

390 Trusts

390I Creation, Existence, and Validity

390I(A) Express Trusts

390k57 k. Reformation. Most Cited Cases

In the law of trust, a court may reform a trust to the extent that it was procured by wrongful conduct, such as undue influence, duress, or fraud; a trust is procured by wrongful conduct if that conduct caused the settlor to act in a way that he or she would not have otherwise acted. Restatement (Third) of Trusts §§ 12, 62 comment; Restatement (Third) of Property: Wills and Other Donative Transfers § 8.3.

[6] Reformation of Instruments 328 ↪ 21

328 Reformation of Instruments

328I Right of Action and Defenses

328k15 Grounds for Reformation

328k21 k. Fraud. Most Cited Cases

In the law of contract, a court may reform a contract when (1) one party seeks reformation, (2) that party's assent was induced by the other party's misrepresentations as to the terms or effect of the contract, and (3) the party seeking reformation was justified in relying on the other party's misrepresentations. Restatement (Second) of Contracts § 166.

[7] Labor and Employment 231H ↪ 483(2)

231H Labor and Employment

231HVII Pension and Benefit Plans

231HVII(C) Fiduciaries and Trustees

231Hk479 Notice and Disclosure Requirements

231Hk483 Summary Plan Description

231Hk483(2) k. Inconsistency with plan document. Most Cited Cases

Inconsistency between retirement plan's summary plan description (SPD) and plan master document was not evidence of fraudulent inducement, on claim under ERISA seeking reformation; SPD summarized plan, so it appeared to have been created after plan, employer did not materially mislead its employees, and employees did not rely on any misleading information. Employee Retirement Income Security Act of 1974, § 502(a)(3)(B), 29 U.S.C.A. § 1132(a)(3)(B); Restatement (Second) of Contracts § 166; Restatement (Third) of Trusts §§ 12, 62 comment; Restatement (Third) of Property: Wills and Other Donative Transfers § 8.3.

[8] Labor and Employment 231H ↪ 483(2)

231H Labor and Employment

231HVII Pension and Benefit Plans

231HVII(C) Fiduciaries and Trustees

231Hk479 Notice and Disclosure Requirements

231Hk483 Summary Plan Description

231Hk483(2) k. Inconsistency with plan document. Most Cited Cases

Administrative committee did not breach its fiduciary duty by not enforcing terms of summary plan description (SPD) instead of terms of retirement plan master document; although committee may have had

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duty to enforce terms of plan, terms of SPD were not terms of plan. Employee Retirement Income Security Act of 1974, § 502(a)(1)(B), (a)(3), 29 U.S.C.A. § 1132(a)(1)(B), (a)(3).

[9] Implied and Constructive Contracts 205H

205H Implied and Constructive Contracts
205HI Nature and Grounds of Obligation
205HI(A) In General
205Hk2 Constructive or Quasi Contracts
205Hk3 k. Unjust enrichment. Most Cited Cases

Labor and Employment 231H

231H Labor and Employment
231HVII Pension and Benefit Plans
231HVII(K) Actions
231HVII(K)3 Actions to Enforce Statutory or Fiduciary Duties
231Hk658 Judgment and Relief
231Hk660 k. Equitable relief; injunction. Most Cited Cases

Retirement plan participants were not entitled to remedy of surcharge for advisory committee's breach of statutory duty to provide retirement plan participants with summary plan description (SPD) that was "sufficiently accurate and comprehensive to reasonably apprise" participants of their rights and obligations under plan and to clearly identify offsets and reductions, since committee did not gain benefit by that breach, participants did not rely on inaccurate SPD, and statutory right to accurate SPD was not compensable harm. Employee Retirement Income Security Act of 1974, §§ 102(a), 104, 29 U.S.C.A. §§ 1022(a), 1024; 29 C.F.R. § 2520.102-3(l).

[10] Trusts 390

390 Trusts
390IV Management and Disposal of Trust Property
390k234 k. Loss of property. Most Cited Cases

Trusts 390

390 Trusts

390VII Establishment and Enforcement of Trust
390VII(A) Rights of Cestui Que Trust as Against Trustee
390k339 k. Personal liability of trustee for violation of trust. Most Cited Cases

A trustee who breaches his or her duty could be liable for loss of value to the trust or for any profits that the trust would have accrued in the absence of the breach; the beneficiary can pursue the remedy that will put the beneficiary in the position he or she would have attained but for the trustee's breach. Restatement (Third) of Trusts § 100(A); Restatement (Second) of Trusts § 205.

***1164** Ellen M. Doyle and William T. Payne, Stember Feinstein Doyle & Payne LLC, Pittsburgh, PA, for the plaintiffs-appellants.

Chris C. Scheithauer, McDermott Will & Emery LLP, Irvine, CA; and Nancy G. Ross, McDermott, Will & Emery LLP, Chicago, IL, for the defendants-appellees.

Mary Ellen Signorille, AARP Foundation Litigation, Washington, D.C., for the amicus curiae.

Appeal from the United States District Court for the Central District of California, John F. Walter, District Judge, Presiding. D.C. No. 2:07-cv-03923-JFW-AGR.

Before: ALFRED T. GOODWIN, DIARMUID F. O'SCANNLAIN, and SUSAN P. GRABER, Circuit Judges.

OPINION

GOODWIN, Circuit Judge:

Appellants Charles Skinner and Gregory Stratton appeal summary judgment rejecting their claims under the Employee Retirement Income Security Act of 1974 ("ERISA"). We have jurisdiction under 28 U.S.C. § 1291, and we affirm.

I. Facts and procedural history

Appellants were employees of Litton Industries, Inc., and participated in its retirement plan, which was called Litton Industries, Inc., Retirement Plan B ("Litton Plan B"). Following corporate mergers and plan modifications, Appellants sued the successor

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corporation, Northrop Grumman, and Northrop Grumman Retirement Plan B (“Northrop Plan B”), the plan that replaced Litton Plan B, under ERISA § 502(a)(1)(B) to enforce their understanding of their rights under Northrop Plan B.

By June 2004, Appellant **Skinner** was anticipating retirement, and he received a pension calculation packet. That packet’s formulas illustrated how **Skinner’s** transition benefit would be calculated based on his salary, contributions, and age at retirement. The formulas included an “annuity equivalent offset.” In December 2004 and April 2005, **Skinner** received additional pension calculation packets, both of which also included the annuity equivalent offset. **Skinner** testified at his deposition that, after he received the packet in December 2004, he understood how his benefits would be calculated, including the annuity equivalent offset. In May 2005, **Skinner** retired.

By February 2005, Appellant Stratton was anticipating retirement, and he received a pension calculation packet. That packet’s formulas included an “annuity equivalent offset.” In December 2005, the *1165 plan administrators provided a summary of material modifications (“SMM”), which included the annuity equivalent offset. Stratton testified at his deposition that he received the SMM, that it clearly explained the annuity equivalent offset, and that he understood how that offset would affect his pension. In May 2006, Stratton received another pension calculation packet, which also contained the annuity equivalent offset. In July 2006, Stratton retired.

The district court granted summary judgment for the defendants after concluding that Appellants had not raised a genuine issue of material fact. We reversed and remanded the case upon our conclusion that an ambiguity existed between summary plan descriptions (“SPDs”) issued to employees in earlier years and the plan master documents that were actually being enforced by the plan administrators. That ambiguity was related to the controversial “annuity equivalent offset” that plan administrators used to reduce annual benefit amounts based on the age of the participant at retirement. We held, pursuant to this court’s earlier decisions in *Bergt v. Retirement Plan for Pilots Employed by MarkAir, Inc.*, 293 F.3d 1139, 1143 (9th Cir.2002), and *Banuelos v. Construction Laborers’ Trust Funds for Southern California*, 382 F.3d 897, 904 (9th Cir.2004), that the ambiguity cre-

ated a triable issue.

The district court again granted summary judgment, and Appellants again appealed. We deferred argument and submission of the second appeal until the Supreme Court’s resolution of *CIGNA Corp. v. Amara*, — U.S. —, 131 S.Ct. 1866, 179 L.Ed.2d 843 (2011). In that case, the Supreme Court overruled, in relevant parts, our two prior decisions that had treated SPD language as if it were an enforceable part of the retirement plan. In holding that the SPD language was not part of the plan, the Court made it clear that “summary documents, important as they are, provide communication with beneficiaries *about* the plan, but that their statements do not themselves constitute the *terms* of the plan for purposes of § 502(a)(1)(B).” *Id.* at 1878. We called for supplemental briefing and argument. We now hold that summary judgment was appropriate on Appellants’ claims under § 502(a)(1)(B) and § 502(a)(3).

II. Discussion

Recognizing that *Amara* has foreclosed their principal theory of relief, Appellants have focused this appeal on equitable remedies under ERISA § 502(a)(3), which allows a participant “to obtain other appropriate equitable relief” to redress ERISA violations. 29 U.S.C. § 1132(a)(3)(B).

Appellants have alleged an ERISA violation. Viewing the facts in the light most favorable to Appellants, the administrative committee failed to ensure that plan participants were furnished with an SPD that was “sufficiently accurate and comprehensive” and that included “a statement clearly identifying circumstances which may result in ... offset [or] reduction ... of any benefits” that the participants would reasonably expect. 29 U.S.C. §§ 1021(a), 1022(a) (quoted), 1024(b); 29 C.F.R. § 2520.102–3(l) (quoted). The remaining issue is whether summary judgment was appropriate on Appellants’ claims for equitable relief.

In dictum, the *Amara* Court stated that, under appropriate circumstances, § 502(a)(3) may authorize three possible equitable remedies: estoppel, reformation, and surcharge. 131 S.Ct. at 1878–80. Appellants have conceded, both in their brief and at oral argument, that they presented no evidence of reliance on the inaccurate SPD and that they do not claim estoppel. *1166 Appellants do, however, seek reformation and surcharge.

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A. Reformation

[1] Appellants argue that we should reform the terms of Northrop Plan B's master documents to be consistent with the terms of the 2003 SPD. It is unclear whether we should analyze reformation in the context of trust law or contract law because retirement plan documents are similar to both trusts and contracts. See *Amara*, 131 S.Ct. at 1877. Under both theories, however, reformation is proper only in cases of fraud and mistake. See, e.g., *Cont'l Ins. Co. of N.Y. v. Cotten*, 427 F.2d 48, 53 (9th Cir.1970) (“Since fraud and mutual mistake are absent in this case, reformation was improper.”). The difference lies in whose fraud and mistake are material.

1. Mistake theory

[2] In the law of trust, a court may reform a trust instrument to accord with the settlor's intent if there is evidence that a mistake of fact or law affected the terms of the instrument and if there is evidence of the settlor's true intent. RESTATEMENT (THIRD) OF TRUSTS §§ 12, 62 (2003); RESTATEMENT (THIRD) OF PROP. (WILLS & OTHER DONATIVE TRANSFERS) § 12.1 (2003); see also RESTATEMENT (SECOND) OF AGENCY § 8D & cmt. a (1958).

[3] In the law of contract, a court may reform a contract to reflect the true intent of the parties if both parties were mistaken about the content or effect of the contract. RESTATEMENT (SECOND) OF CONTRACTS § 155 (1981). The court may reform the contract to capture the terms upon which the parties had a meeting of the minds. See *Am. President Lines, Ltd. v. United States*, 821 F.2d 1571, 1582 (Fed.Cir.1987); *Schongalla v. Hickey*, 149 F.2d 687, 690 (2d Cir.1945).

[4] Whether we view the drafter of Northrop Plan B as a settlor or as a party to a contract, Appellants have presented no evidence that Northrop Plan B contains terms that fail to reflect that drafter's true intent. Appellants argue that the 2003 SPD is evidence of the drafter's true intent and that the master document contains a mistake. That argument fails. Appellants have provided no evidence of authorship of the 2003 SPD or of the 2003 SPD's capturing any intent at all, other than the intent to create an “accurate and comprehensive” summary of Northrop Plan B. It would be unreasonable for us to infer otherwise.

2. Fraud theory

[5] In the law of trust, a court may reform a trust to the extent that it was procured by wrongful conduct, such as undue influence, duress, or fraud. RESTATEMENT (THIRD) OF TRUSTS §§ 12, 62 cmt. a (2003); RESTATEMENT (THIRD) OF PROP. (WILLS & OTHER DONATIVE TRANSFERS) § 8.3 (2003). A trust is procured by wrongful conduct if that conduct caused the settlor to act in a way that he or she would not have otherwise acted. RESTATEMENT (THIRD) OF PROP. (WILLS & OTHER DONATIVE TRANSFERS) § 8.3 (2003).

[6] In the law of contract, a court may reform a contract when (1) one party seeks reformation, (2) that party's assent was induced by the other party's misrepresentations as to the terms or effect of the contract, and (3) the party seeking reformation was justified in relying on the other party's misrepresentations. RESTATEMENT (SECOND) CONTRACTS § 166 (1981).

[7] Appellants have presented no evidence that Northrop Plan B contains terms that were induced by fraud, duress, or undue influence. The inconsistency between the 2003 SPD and the plan master document is not evidence of fraudulent inducement. The SPD summarizes the *1167 plan, so it appears to have been created after the plan, and Appellants have provided no evidence to allow us to infer otherwise.

Appellants argue that we should adopt the reasoning in *Amara*'s dictum discussing reformation, but we decline to do so because the facts in *Amara* are materially distinguishable. In *Amara*, the Court suggested that reformation might be appropriate on remand because the district court had already found that the employer had “intentionally misled its employees.” 131 S.Ct. at 1874. In this case, by contrast, Appellants have provided no evidence that Northrop Grumman materially misled its employees and, even if it had misled its employees, Appellants have conceded that they did not rely on any of the misleading information.

B. Surcharge

[8] In the district court, Appellants argued that the administrative committee breached its fiduciary duty by failing to enforce the terms of the 2003 SPD instead of the terms of the plan master document. We find no

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such duty. The committee may have a duty to enforce the terms of the plan, *see* 29 U.S.C. § 1132(a)(1)(B), (3), but the terms of an SPD are not the terms of the plan, *Amara*, 131 S.Ct. at 1878.

The committee may have breached a different duty. It had a statutory duty to provide participants with an SPD that was “sufficiently accurate and comprehensive to reasonably apprise” Appellants of their rights and obligations under the plan, 29 U.S.C. §§ 1022(a), 1024, and to clearly identify offsets and reductions, 29 C.F.R. § 2520.102-3(l).

Under that second theory of breach, the remedy of surcharge could hold the committee liable for benefits it gained through unjust enrichment or for harm caused as the result of its breach.

1. Unjust enrichment

[9] A trustee (or a fiduciary) who gains a benefit by breaching his or her duty must return that benefit to the beneficiary. RESTATEMENT (THIRD) TRUSTS § 100(b) (2012); RESTATEMENT (SECOND) TRUSTS § 205 (1959); RESTATEMENT (THIRD) RESTITUTION & UNJUST ENRICHMENT § 43 (2011); RESTATEMENT (FIRST) RESTITUTION § 138 (1937). In this case, Appellants have presented no evidence that the committee gained a benefit by failing to ensure that participants received an accurate SPD.

2. Compensatory damages for actual harm

[10] A trustee who breaches his or her duty could be liable for loss of value to the trust or for any profits that the trust would have accrued in the absence of the breach. RESTATEMENT (THIRD) TRUSTS § 100(a) (2012); RESTATEMENT (SECOND) TRUSTS § 205 (1959). The beneficiary can pursue the remedy that will put the beneficiary in the position he or she would have attained but for the trustee's breach.

Appellants seek compensatory relief. But considering that Appellants did not rely on the inaccurate SPD, they establish no harm for which they should be compensated.

Appellants argue that the “harm” of being deprived of their statutory right to an accurate SPD is a compensable harm, but we disagree. Appellants' interpretation would render the advisory committee strictly liable for every mistake in summary documents. In sum, Appellants have not shown that their

current positions are any different than they would have been without the inaccurate SPD. The judgment is AFFIRMED.

C.A.9 (Cal.),2012.

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