



Federal Judge Dismisses ERISA Fiduciary Breach Claim against University for Lack of Standing

By: Brydon M. DeWitt

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A federal district court judge in Washington D.C. dismissed an ERISA fiduciary breach suit brought by a former employee of George Washington University (?GW?), finding the former employee lacked standing to sue. The plaintiff, Melissa Stanley, participated in two GW administered retirement plans, and brought multiple claims for breach of fiduciary duty against the school. GW moved to dismiss, arguing that Stanley lacked standing because she released her claims under the terms of a prior voluntary settlement agreement. Stanley countered that her claims were excepted from the general release, under exclusionary language preserving claims for vested benefits under her retirement plans. Judge John Bates found that the general release included her breach of fiduciary duty claims, and, as a result, that the Court lacked jurisdiction over the released claims.

The case?s dismissal comes amid increased litigation targeting higher education retirement plans for fiduciary breaches, and follows a similar wave of litigation over private sector 401(k) plans.

Case Background

The standing dispute centered on the interpretation of release provisions between Stanley and GW from a prior settlement. In 2016, Stanley signed an unrelated confidential settlement agreement with the school. The agreement contained a general release including ?claims for violation of any federal?statute,? but excluding ?claims for vested benefits under employee benefit plans.?

GW argued that the broad language in the release of any federal statute clearly included ERISA, and related claims under § 502(a)(2) and (a)(3). The university further contended that the exclusionary language referred separately to § 502(a)(1)(B) claims for vested benefits under the terms of the school?s retirement plans. Stanley argued that the release did not include ERISA claims because the statute was not expressly mentioned, and that the exclusionary language for vested benefits preserved her fiduciary breach claims.

The Court found that Stanley released her claims under the agreement from the release's plain language. The release included "any and all claims" for violation of any federal statute, "including but not limited to" statutes listed in the release. The Court rejected Stanley's broader interpretation of "claims for vested benefits," stating that the language only referred to a contractual claim under the plans themselves and not a broader statutory claim under ERISA. Stanley conceded she did not bring a contractual claim for benefits under the plans, but instead sought statutory claims.

Finding a lack of jurisdiction, the Court did not address Stanley's four claims of fiduciary breach including: (1) unreasonably high recordkeeping and administrative fees, (2) unreasonably expensive and underperforming investment options, (3) improperly offered proprietary investment products required by investment funds providing services to GW, and (4) improperly retaining multiple recordkeepers.

Further Developments

The case highlights the continued attention on plan providers for possible fiduciary breach claims, particularly in higher education. The case also emphasizes the importance of release language in settlement agreements and the various claims that may be brought under ERISA. The Court positively acknowledged the release language for its preservation of less costly contractual claims (after exhaustion of administrative remedies), while releasing the potentially more open-ended and expensive statutory claims.

We will continue to follow developments related to fiduciary litigation against plan providers, including higher education providers. Please contact us if you have any questions regarding plan compliance or ERISA.

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- Brydon M. DeWitt ? 804.420.6917 ? bdewitt@williamsmullen.com

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