

Appellate Court Upholds Award of Front Pay Due to Employer's Interference With ERISA Benefits

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Kairys v. S. Pines Trucking, Inc., 2023 WL 4718509 (3d Cir. 2023)

Available at <http://www2.ca3.uscourts.gov/opinarch/221783p.pdf>

The Third Circuit Court of Appeals has upheld a trial court's decision that an employer violated ERISA § 510 when it terminated the employment of a participant in its self-insured health plan who had incurred large medical expenses and was expected to incur additional future expenses. Under ERISA § 510, it is unlawful to discharge a participant for exercising a right under an employee benefit plan, or to interfere with attainment of any right to which a participant may become entitled under the plan. The trial court concluded that the employer's explanation for the termination was pretextual and awarded the participant equitable relief in the form of \$67,500 in front pay.

On appeal, the employer challenged the trial court's conclusions regarding the parties' credibility and its factual findings supporting the pretext analysis, claiming that there was no evidence that the termination was "anything other than" a legitimate business decision. But the appellate court found no clear error in the trial court's findings, noting, among other things, that the participant had received a five-figure bonus less than a week before he was fired and that another employee was borrowed from a related company to perform some of the participant's duties shortly after his termination. In addition, the appellate court determined that the trial court reasonably inferred that the employer knew about the cost of the participant's medical expenses and could parse the expenses from health care invoices due to the small number of plan participants. Thus, there was no error in the court's finding that the participant's past and future use of his ERISA benefits motivated the employer's termination decision. The award of front pay, and of reasonable attorney's fees, was upheld.

EBIA Comment: Claims under ERISA § 510 can be difficult to prove, and even participants who prevail may be left without a remedy, as courts are permitted to award only appropriate equitable relief—not money damages such as backpay. While issues surrounding equitable remedies are complex, it seems possible that this ruling could increase the incidence of requests for front pay in ERISA § 510 cases involving termination of employment. For more information, see EBIA's ERISA Compliance manual at Section XXXVI.K ("ERISA § 510 Claims for Interference With Protected Benefits").

Contributing Editors: EBIA Staff.