COMPANY, UNION AND RETIREMENT PLAN ADMINISTRATOR SUED FOR PURPORTED FRAUD

Alleged violations of the Employee Retirement Income Security Act (ERISA) provisions involved a lawsuit with 225 plaintiffs, all current or former workers at an Ohio steel mill and members of the United Steelworkers of America (USW) union. They sued the union, their employer and the plan administrator. The mill had changed ownership numerous times, but until 1999 the pension plan for the Ohio employees was the same for workers at other steel mills. Benefits were based on a percentage of total wages for five years of the highest annual income – the "best five years method," as the period of time did not necessitate the five years be consecutive. When ownership changed hands again in 1999, the United States Steel & Carnegie Pension Fund – which had administered the plan ten years before – altered the benefits: the "best five years" could only be taken for years worked preceding 2000. For 2000 and beyond, when most employees were earning higher annual incomes, the years were not considered. In 2001, the mill was again owned by the company that sold it in 1999. Employees were allegedly promised that the plan would revert back to the best five-year formula, but this was not the case. The company also offered employees early retirement in 2003 with a program that was reportedly superior to the then-current pension calculation. Some employees took advantage of the offer but found that they were receiving less than anticipated and less than retirees of other steel mills under the same program. Workers who retired after 2003 were also receiving pension payments calculated with years before 2000. 

The current and former employees filed suit in 2009, alleging eight counts: breach of ERISA fiduciary duty, equitable relief, equitable estoppel, failure to furnish requested plan documents, and four state-law charges asserting similar claims. The district court dismissed all counts, noting that some claims were ERISA time-barred and others failed to state a claim for relief. All of the state-law claims were dismissed, as the court ruled that they were preempted by federal law. ERISA statutes require action be brought within three years of "actual knowledge" of a breach or violation. The district court stated that, as the plaintiffs had learned of the alleged breach in 2003, they should have filed no later than 2006. The plaintiffs, however, contended that their claim of fraud assigns them to the ERISA clause which allows a six-year period in cases of fraud or concealment. Appellate judges noted that the alleged concealment occurred only after the plaintiffs received knowledge of the reputed fraud. They further stated that fraud alone may not withstand the six-year timeframe, but that was insignificant, as the plaintiffs claimed that their retirement plans had not been divested of company stock before it lost its value – a breach of fiduciary duty, but not of a fraudulent nature. The estoppel claim was dismissed due to the plaintiffs' inability to prove fraud, as well as an insufficient reason for the claim – that they understood the benefits but thought they should be calculated another way. The claim of unfurnished plan documents was similarly dismissed, as the plaintiffs had not clearly specified what they were requesting. All other counts were rejected – the equitable relief claim was deemed "derivative" of the breach claim – and the district court's decision was affirmed.