

Plan Required to Pay Interest on Unreasonably Delayed Lump Sum Payment

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The Court of Appeals for the D.C. Circuit recently held that a 45 day delay to participants who elected to receive a lump-sum as opposed to an annuity was unreasonable and that the participants should be awarded interest on the 45 day delay. The plaintiffs in the case were retired U.S. Airways pilots who elected to receive their pension from the U.S. Airways Pension Plan (the "Plan") in a single lump sum rather than as an annuity. The Plan paid those lump sum payments 45 days later than if the plaintiffs elected the annuity option. The Plaintiffs claimed the Plan violated the requirement in ERISA Section 204(c)(3) that lump sums paid in lieu of an annuity be the actuarial equivalent of the annuity payment and that the Plan accordingly owed them interest for the 45 day delay. The Pension Benefit Guaranty Corporation ("PBGC") was the trustee of the Plan due to the U.S. Airways bankruptcy. The court rejected the PBGC's argument that the delay was reasonable and awarded the plaintiffs the interest amount for the 45 day delay period. The court noted that historically the Plan took a period of 21 business days to calculate the lump sum and that a delay of longer than 30 days was unreasonable. *Stephens v. U.S. Airways Group, Inc.*, No. 10-7100 (D.C. Circuit July 15, 2011).