

MEMO# 12390

July 25, 2000

SUPREME COURT TO REVIEW STATE LAW REQUIRING AUTOMATIC REVOCATION OF BENEFICIARY DESIGNATIONS UPON DIVORCE

[12390] July 26, 2000 TO: PENSION COMMITTEE No. 55-00 RE: SUPREME COURT TO REVIEW STATE LAW REQUIRING AUTOMATIC REVOCATION OF BENEFICIARY DESIGNATIONS UPON DIVORCE The Supreme Court has agreed to decide whether a Washington State law requiring automatic revocation of life insurance and pension plan beneficiary designations upon divorce is preempted by ERISA. Many states, especially community property states, have enacted laws that automatically revoke beneficiary designations upon divorce. Currently, state courts and federal appellate courts are split over whether ERISA preempts such state laws when death benefits are paid under an employer-sponsored welfare or pension plan. The facts of *Egelhoff v. Egelhoff*, U.S. No. 99-1529, are as follows. Donna Rae Egelhoff is the former spouse of David Egelhoff. During their marriage, Mr. Egelhoff was employed by The Boeing Company, which provided him with various employee benefits, including a life insurance plan and a pension plan (both governed by ERISA). Donna Egelhoff was the designated beneficiary of both plans. The Egelhoffs were subsequently divorced. The dissolution decree awarded Mr. Egelhoff "100% of his Boeing retirement 401K and IRA," but did not address the life insurance plan or the rights of the beneficiaries under either plan. Thereafter, Mr. Egelhoff died. Donna Rae Egelhoff remained the designated beneficiary of both the life insurance and pension plan. Mr. Egelhoff's children from a previous marriage, as his statutory heirs under Washington State law, brought suit seeking the life insurance and retirement plan benefits. The children based their claim on a Washington statute providing that employee plan beneficiary designations made prior to a divorce are revoked and that employee benefit plan assets pass upon the employee's death as if the former spouse had predeceased the employee. The state trial court granted summary judgment for Donna Rae Egelhoff, holding that the employee benefit plans should be administered in accordance with ERISA. Therefore, as designated beneficiary, the trial court held that Donna Rae Egelhoff was entitled to the plans' benefits. The state court of appeals reversed the trial court's holding, basing its reasoning on a Ninth Circuit case, which approved a similar attempt to use state law to override an ERISA plan beneficiary designation. The Supreme Court of Washington affirmed the judgment of the court of appeals. A copy of the petition for writ of certiorari is attached. Kathryn A. Ricard Associate Counsel Attachment Attachment (in .pdf format)

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