

Employee Relations LAW JOURNAL

ERISA Litigation

The Form Rules Everything, Beneficiaries Included: An Interpleader Action, a Seventh Circuit Ruling, and the Continued Viability of the Substantial Compliance Doctrine

By Joseph J. Torres and Jennifer T. Beach

I. INTRODUCTION

Earlier this year, the Seventh Circuit decided *Packaging Corp. of Am. Thrift Plan for Hourly Employees v. Langdon*,¹ which concerned two important issues of ERISA plan administration. The court first examined the proper standard of review when cases are interpleaded at various stages of administrative adjudication. The court then examined the continued viability of the “substantial compliance” doctrine for making changes to ERISA plan beneficiaries, leaving open the question of whether the doctrine remained viable, but hinting that it will—at least in certain circumstances—if and when the court ultimately decides the issue.

Joseph J. Torres is a partner in Jenner & Block LLP’s Chicago office and chair of the firm’s ERISA Litigation practice. Jennifer T. Beach is a special counsel in the firm’s Chicago office and a member of the firm’s ERISA Litigation practice. They can be reached at jtorres@jenner.com and jbeach@jenner.com, respectively.

II. CASE FACTS

Packaging Corporation concerned the proper distribution of unpaid 401(k) benefits remaining in Carl Kleinfeldt's account at the time of his death.² Kleinfeldt's benefits were earned through the 401(k) retirement plan administered by Kleinfeldt's employer of 32 years, Packaging Corporation of America (PCA).³ The plan documents prescribed two ways that plan participants could change their beneficiaries: by contacting the benefits center at a designated phone number or updating the beneficiary designation online.⁴ The plan documents also gave the plan administrator "full discretion and authority to administer the Plan, including interpreting and applying the term and conditions of the plan."⁵

Initially, Kleinfeldt properly named his then spouse, Dena Langdon, as his beneficiary and his two sisters as his contingent beneficiaries.⁶ Later, Kleinfeldt and Langdon divorced, and pursuant to the Qualified Domestic Relations Order (QDRO) agreed that Langdon would receive 21.3% of the 401(k) benefits, which the plan segregated from Kleinfeldt's account and distributed to Langdon.⁷

Following the divorce, Kleinfeldt directed his secretary to send a fax to PCA that attached a copy of the divorce judgment and stated: "Please remove my former spouse, Dena Suzanne Kleinfeldt from the health, vision and dental insurance and as a beneficiary of my 401(k), pension and life insurance accounts. Please feel free to fax any necessary paperwork to the above fax that I may need to complete."⁸ PCA did not remove Langdon as the 401(k) beneficiary in response to the fax, but did change her status to "ex-spouse."⁹

When Kleinfeldt died several months later, PCA notified Langdon that she would receive the funds in the 401(k) account as the primary beneficiary.¹⁰ However, before the distribution to Langdon, Kleinfeldt's estate inquired about the account. Ultimately, both Langdon and Kleinfeldt's estate submitted Claim Initiation Forms demanding the entirety of the account.¹¹ PCA denied the estate's claim, which the estate appealed, arguing for the first time that the fax removed Langdon as the primary beneficiary pursuant to the substantial compliance doctrine.¹²

PCA did not resolve the appeal or Langdon's claim. Instead, PCA filed a Federal Rule of Civil Procedure 22 interpleader action in the District Court for the Western District of Wisconsin and deposited the 401(k) funds into the court's registry.¹³ The court then dismissed PCA and the plan from the action.¹⁴

III. THE DE NOVO STANDARD OF REVIEW APPLIED

The first issue that the lower court tackled—albeit briefly—was whether the arbitrary and capricious or *de novo* standard of review applied. It

held that because the dispositive question in the case involved the application of the common law principle of substantial compliance, which is a question of law, *de novo* review applied.¹⁵

In contrast to the lower court's cursory analysis, the Seventh Circuit gave more consideration to this issue. Langdon had argued that because the plan initially decided to distribute the funds to her, before Kleinfeldt's estate inquired about the funds, the plan had made a decision subject to arbitrary and capricious review under *Firestone Tire & Rubber Co. v. Bruch*.¹⁶ The court opined, however, that the application of the arbitrary and capricious standard was "in some doubt" because the plan administrator did not make a final decision and instead "threw its arms in the air and filed this interpleader action" when faced with competing claims.¹⁷

Like the district court, the Seventh Circuit then considered that the application of the substantial compliance doctrine is a question of law. The court distinguished the case from the Eighth Circuit's decision in *Alliant Techsystems, Inc. v. Marks*,¹⁸ which applied an abuse of discretion standard on similar facts. Pursuant to the plan in *Alliant*, the administrator had discretion to "determine all factual and *legal* questions under the Plan."¹⁹ Faced with competing claims for the benefits at issue, the plan administrator, considering the facts and plan language, made an initial determination that the beneficiary designation was "substantially complete" and would be enforced.²⁰ That decision was appealed, and rather than decide the appeal, the plan administrator interpleaded the action.²¹

The Seventh Circuit found these to be critical distinctions between *Alliant* and *Packaging Corporation*. Unlike *Alliant*, in *Packaging Corporation*, the plan administrator did not have discretion over legal questions, and the plan administrator never made any reasoned decision regarding substantial compliance.²² Consequently, the Seventh Circuit agreed with the district court that the *de novo* standard of review applied.²³

IV. THE COURTS TAKE DIFFERING VIEWS ON THE APPLICATION OF THE SUBSTANTIAL COMPLIANCE DOCTRINE

Next, the *Packaging Corporation* courts applied the federal common law substantial compliance doctrine, which requires both intent and a "positive action" for a change in beneficiary designation to be enforced when it does not strictly comply with plan procedures.²⁴ In particular, substantial compliance is met where "the insured (1) evidenced his intent to make the change, and (2) attempted to effectuate the change by undertaking positive action which is for all practical purposes similar to the action required by the change of beneficiary provisions of the policy."²⁵

a. Kennedy v. Plan Administrator for DuPont Savings and Investment Plan

Relevant to both the district court and Seventh Circuit's substantial compliance holdings in *Packaging Corporation* is the 2009 Supreme Court case *Kennedy v. Plan Administrator for DuPont Savings and Investment Plan*.²⁶ Like *Packaging Corporation*, *Kennedy* also concerned the proper beneficiary of plan benefits following the participant, Mr. Kennedy's, death. The plan in *Kennedy* required "all authorizations, designations and requests concerning the Plan to be made by employees in the manner prescribed by the plan administrator," and provided forms for designating and changing beneficiaries.²⁷ The participant had properly designated his spouse, but after their divorce he never executed any documents removing her as the beneficiary.²⁸ Nonetheless, pursuant to the couple's divorce decree—but not a QDRO—Ms. Kennedy was "divested" of "all right, title, interest, and claim in and to" the plan benefits.²⁹

The Supreme Court held that the plan administrator properly distributed the plan funds to Ms. Kennedy because Ms. Kennedy was the designated beneficiary under the terms of the plan and Mr. Kennedy failed to change the beneficiary pursuant to the plan's "easy" way to do so.³⁰ In so holding, the Court relied on ERISA's requirement that the plan administrator "act 'in accordance with the documents and instruments governing the plan.'"³¹ It also stressed the "congressional goal of minimizing the administrative and financial burdens on plan administrators" and the importance of "a straightforward rule of hewing to the directives of the plan documents that lets employers establish a uniform administrative scheme, with a set of standard procedures to guide processing of claims and disbursement of benefits."³² It explained "that by giving a plan participant a clear set of instructions . . . ERISA forecloses any justification for enquiries into nice expressions of intent, in favor of the virtues of adhering to an uncomplicated rule: simple administration, avoiding double liability, and ensuring that beneficiaries get what's coming quickly, without the folderol essential under less-certain rules."³³

b. The District Court Holds That the Substantial Compliance Doctrine Is Satisfied

Langdon argued to the district court that under *Kennedy*, because she was listed as the beneficiary, the funds should be distributed to her.³⁴ The court disagreed, holding that Kleinfeldt's fax satisfied the substantial compliance doctrine. First, the intent element was satisfied by the "plain language of the fax."³⁵ Next, the "positive action" element was satisfied

because by sending the fax Kleinfeldt took “actions . . . sufficient for [the] plan administrators to determine [his] intent.”³⁶ The court rejected Langdon’s arguments that Kleinfeldt’s intent was unclear because the last sentence of his fax indicated he knew there were additional steps he had to take to effectuate the change in his beneficiary and that the fax was insufficient because Kleinfeldt did not sign it.³⁷

c. The Seventh Circuit Disagrees, Upholding the Substantial Compliance Doctrine (for Now), But Finding Kleinfeldt Took No “Positive Action”

The Seventh Circuit disagreed, ultimately holding that the substantial compliance doctrine was not satisfied, and Langdon was indeed the primary beneficiary at the time of Kleinfeldt’s death.³⁸ Before reaching that conclusion, however, the court addressed Langdon’s argument that the district court did not address: that *Kennedy* “vitiated” the substantial compliance doctrine.³⁹ Langdon claimed that the Court’s emphasis in *Kennedy* on straightforward plan administration that minimizes the burden on plan administrators “invalidates the federal common law substantial compliance doctrine.”⁴⁰ The Court hesitated to accept this position, noting that it agreed with the Sixth Circuit which recently opined that *Kennedy* provided “reasons to believe” there are some exceptions to the “pay-the-designated-beneficiary rule.”⁴¹ It also observed that when the plan administrator does not make a final determination and instead turns to the courts, like here, the need for straightforward plan administration is “not implicated.”⁴² Ultimately, the court did not decide the continued viability of the doctrine—punting the issue—because it held that Langdon was entitled to the funds pursuant to both the designation and the substantial compliance doctrine.⁴³

Applying the two-factor substantial compliance test, the court agreed with the district court that Kleinfeldt had satisfied the “intent” element.⁴⁴ However, examining the “closer question” of the “positive action” element, the court held that Kleinfeldt’s fax did not amount to an “action which is for all practical purposes similar to the action required by the plan documents.”⁴⁵ The court examined its prior substantial compliance holdings, which underscored that the circumstances under which the court held there was a “positive action” involved instances where the insured had used the designated change of beneficiary form, but had made clerical errors, such as failing to fill in contact information or sign the form.⁴⁶ Kleinfeldt, on the other hand, “did not even attempt to utilize the proper procedures” because, as the court noted, “[n]owhere in the plan documents is the participant allowed to request a beneficiary change via fax.”⁴⁷ Accordingly, Langdon also remained the primary beneficiary under the substantial compliance doctrine.

V. KEY TAKEAWAYS

Packaging Corporation provides several key takeaways for plan sponsors, administrators and participants alike. First and foremost is the importance of taking measures to ensure that plan participants can and do strictly comply with the plan's procedures for designating their intended beneficiaries so that plan participants (or their estates) do not find themselves in the same position as Mr. Kleinfeldt or Mr. Kennedy. For plan sponsors, this means making sure that the procedures are simple, straightforward, and easy for participants to execute—plan sponsors should provide “a clear set of instructions” to participants. It also means providing participants with regular reminders of these procedures and emphasizing that they must update their beneficiaries through these procedures if they want them to be effective. For plan participants, it means strictly following the plan's guidance because a documented, expressed intent to change the beneficiary will not be enough. While the Seventh Circuit did not decide whether *Kennedy* vitiated the substantial compliance doctrine, it left the question open. Strict compliance with plan procedures will become even more important if the substantial compliance doctrine is vitiated in the future.

The court's standard of review holding is also an important consideration for plan administrators when deciding what control they want over the ultimate interpretation of their plan documents. First, if plan administrators want the ability to interpret legal questions affecting their plans, they should consider adding plan language that gives them that discretion, similar to the plan language in *Alliant*.

Moreover, plans should consider the implications of filing interpleader actions and that filing such actions may affect whose interpretation of the plan controls. Interpleader actions where there are competing claims for benefits are a useful cost-savings tool for plans when they have no interest in the funds at issue. Like PCA, they can turn the issue over to the courts, seek dismissal from the case, and no longer need to expend resources concerning funds they have no interest in. That being said, the funds should not be the only consideration. As the *Packaging Corporation* case demonstrates, when the matter is interpleaded at an early stage, before the plan administrator makes any official determinations, the courts are more likely to apply the *de novo* standard, thus stripping the deference to the plan administrator's interpretation of its plan. Depending on the plan interpretation issues, and potential implications beyond just the case at hand, this is worth consideration before deciding when and if to interplead a case.

Notes

1. *Packaging Corp. of Am. Thrift Plan for Hourly Employees v. Langdon*, 166 F.4th 645 (7th Cir. 2026).

2. Packaging Corp. of Am. Thrift Plan for Hourly Emps. v. Langdon, No. 23-cv-663-jdp, 2025 WL 1258241, at *1 (W.D. Wis. Apr. 30, 2025).
3. Id.
4. Id.
5. Packaging Corp., 166 F.4th at 647.
6. Packaging Corp., 2025 WL 1258241, at *2.
7. Id.
8. Id.; see also Packaging Corp., 166 F.4th at 647.
9. Packaging Corp., 166 F.4th at 647.
10. Id. at 648.
11. Id.
12. Id. at 648-49.
13. Id.
14. Id. at 648.
15. Packaging Corp., 2025 WL 1258241, at *3.
16. Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101 (1989); Packaging Corp., 166 F.4th at 648.
17. Id. at 648-49.
18. Alliant Techsystems, Inc. v. Marks, 465 F.3d 864 (8th Cir. 2006).
19. Id. at 868 (emphasis added).
20. Id. at 867.
21. Id.
22. Packaging Corp., 166 F.4th at 649.
23. Id.
24. Id. at 652.
25. Id.
26. Kennedy v. Plan Administrator for DuPont Savings and Investment Plan, 129 S. Ct. 865 (2009).
27. Id. at 288 (internal quotations and modifications omitted).
28. Id. at 289.
29. Id.
30. Id. at 303.
31. Id. at 300 (quoting 29 U.S.C. § 1104(a)(1)(D)).
32. Id. at 301, 303 (internal citations, quotations and modifications omitted).
33. Id. at 301 (internal citations, quotations and modifications omitted).
34. Packaging Corp., 2025 WL 1258241, at *3.

- 35. Id. at *4.
- 36. Id.
- 37. Id. at *4-5.
- 38. Packaging Corp., 166 F.4th at 654.
- 39. Id. at 650.
- 40. Id. at 651.
- 41. Id.
- 42. Id.
- 43. Id. at 651-52.
- 44. Id. at 652.
- 45. Id. (internal quotations omitted).
- 46. Id. at 652-653.
- 47. Id.

Copyright © 2026 CCH Incorporated. All Rights Reserved. Reprinted from *Employee Relations Law Journal*, Winter 2026, Volume 52, Number 3, pages 64–70, with permission from Wolters Kluwer, New York, NY, 1-800-638-8437, www.WoltersKluwerLR.com

