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Eleventh Circuit Eliminates Mandatory Administrative Exhaustion Requirement for Statutory ERISA Claims

Key Updates

- In a significant shift for ERISA litigation, the en banc U.S. Court of Appeals for the Eleventh Circuit overturned 40 years of precedent in *Bolton v. Inland Fresh Seafood Corp. of America, Inc.*, ruling that plaintiffs alleging fiduciary breaches or other statutory ERISA violations need not exhaust administrative remedies before filing suit in federal court.
- Benefits disputes remain subject to exhaustion. *Bolton* does not disturb requirements for ordinary benefit claims, so administrators should maintain and consistently apply claims and appeals procedures.

Why It Matters

- The ruling eliminates a longstanding procedural defense for plan sponsors and fiduciaries in Alabama, Florida and Georgia, potentially accelerating litigation over fiduciary conduct, including ESOP transactions and valuations.

Next Steps

- Plan sponsors should review plan documents and summary plan descriptions to distinguish benefit-determination procedures from those addressing other ERISA disputes. The court's focus on permissive language underscores the need for precise drafting. Fiduciaries should continue prudent decision-making, oversight, documentation and careful review of transactions, especially ESOP deals involving company insiders.

In *Bolton v. Inland Fresh Seafood Corp. of America, Inc.*, No. 24-10084, the en banc U.S. Court of Appeals for the Eleventh Circuit overturned four decades of precedent requiring plaintiffs to exhaust administrative remedies before pursuing statutory ERISA claims. The decision aligns the court with other appellate courts and removes a longstanding defense in fiduciary-breach litigation.

Related People

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Related Capabilities

- Employee Benefits & Executive Compensation
- Employee Stock Ownership Plans
- Labor & Employment
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Background: ESOP Participants Challenge a $92 Million Stock Transaction

The case arose from a 2016 transaction involving the Inland Fresh Seafood Corporation of America, Inc. Employee Stock Ownership Plan. Using proceeds from a $92 million loan guaranteed by Inland Fresh, the ESOP purchased all outstanding shares from four officers and directors. Five former employees sued on behalf of the ESOP and its 578 participants, alleging the plan overpaid by tens of millions because of false financial projections and an inflated valuation.

The plaintiffs brought claims under ERISA Sections 502(a)(2) and 502(a)(3), alleging fiduciary breaches by the company and plan fiduciaries, including inadequate trustee due diligence. Defendants sought dismissal because the plaintiffs had not exhausted the ESOP's internal procedures. Bound by *Mason*, the Northern District of Georgia dismissed the action, and a three-judge Eleventh Circuit panel affirmed. En banc rehearing followed.

Eleventh Circuit Rejects Mandatory Exhaustion for Statutory ERISA Claims

Judge Jordan, writing for the en banc court, concluded *Mason* imposed an exhaustion requirement Congress never contemplated. Reasoning principally from ERISA's text, the court observed that ERISA establishes a comprehensive framework for employee benefit plans but does not expressly require participants or beneficiaries to exhaust administrative remedies before bringing statutory claims. *Mason* acknowledged that silence but relied on policy concerns such as screening frivolous suits, reducing costs, and allowing administrative resolution.

Mason also made the Eleventh Circuit an outlier. Seven circuits — the Third, Fourth, Fifth, Sixth, Ninth, Tenth and D.C. Circuits — reject mandatory exhaustion, while the Seventh allows district courts discretion rather than imposing a categorical rule. Applying its three-factor test (the quality of *Mason's* reasoning, consistency with related decisions and reliance interests), the Eleventh Circuit found all factors favored overruling *Mason* and rejected prospective-only application.

The holding is limited to statutory claims, including fiduciary-breach claims. Existing exhaustion rules for claims challenging benefit denials under plan terms remain intact.

Plan Language May Matter, but the Court Leaves an Important Question Open

Defendants alternatively argued that the ESOP documents independently required exhaustion. The court disagreed because the claims procedure said participants "may submit a written claim" or seek review of a benefit determination. "May" was permissive, not mandatory.

The summary plan description allowed participants to seek assistance from the Department of Labor or sue in federal court if fiduciaries misused plan assets. That language supported the conclusion that the plan did not require exhaustion of statutory fiduciary-breach claims. But the court left open whether a plan may contractually require exhaustion when ERISA does not.

The court also did not address the plan's arbitration provision because no party moved to compel arbitration. Future disputes may turn on express exhaustion provisions.

Why *Bolton* Matters for Plan Sponsors and Fiduciaries

For plan sponsors and other fiduciaries in Alabama, Florida and Georgia, *Bolton* removes a defense used for more than 40 years and now gives participants and beneficiaries earlier access to federal court for statutory claims, including fiduciary-breach claims involving ESOP transactions, valuations and other plan-administration decisions.

The holding is retroactive, so pending and future cases cannot rely on *Mason* to compel exhaustion.

Defendants should expect fewer exhaustion-based dismissals and reassess litigation strategy and reserves. *Bolton* may increase fiduciary-breach litigation in the Eleventh Circuit, especially ESOP valuation and process claims.

Sponsors and fiduciaries should review plan documents, claims procedures, summary plan descriptions, arbitration clauses, governance practices and litigation strategies with counsel.

Any intended exhaustion or internal dispute-resolution requirements should use clear, mandatory language. The court, however, did not decide whether plans may validly require exhaustion of statutory claims or resolve the relevance of this plan's arbitration clause. That central open question will shape future disputes over plan language, litigation procedure and the enforceability of internal dispute-resolution requirements. Top of FormBottom of Form

For more information on ERISA compliance and fiduciary responsibilities, contact Nipun Patel, Sean Power, Cory Thomas and Ellen Wiah.