FOR PUBLICATION

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

SHERRY YALI LIU, *Plaintiff - Appellant*, v. KAISER PERMANENTE EMPLOYEES PENSION PLAN FOR THE PERMANENTE MEDICAL GROUP, INC.; KAISER FOUNDATION HEALTH PLAN, INC., *Defendants - Appellees*.	No. 24-4303 D.C. No. 3:23-cv-03109-AMO OPINION

Appeal from the United States District Court
for the Northern District of California
Araceli Martínez-Olguín, District Judge, Presiding

Argued and Submitted October 20, 2025
San Francisco, California

Filed August 31, 2026

Before: Richard A. Paez, Carlos T. Bea, and Danielle J. Forrest, Circuit Judges.

Opinion by Judge Paez

SUMMARY[*]

ERISA

The panel reversed the district court's dismissal for failure to state a claim of Sherry Yali Liu's action under the Employee Retirement Income Security Act against the Kaiser Permanente Employees Pension Plan for the Permanente Medical Group, Inc., and Kaiser Foundation Health Plan, Inc., challenging the denial of Liu's claim for pension benefits due to her deceased sister.

Liu contended that before her sister died, she elected to receive her earned pension benefits as a lump sum and designated Liu as her beneficiary. Kaiser denied Liu's claim, reasoning that the sister initiated, but did not finalize, an election and beneficiary designation, and that substantial compliance with the Plan's requirements is not a basis for benefits under ERISA.

The panel held that the state law doctrine of substantial compliance is available under ERISA for benefit elections, as it is for beneficiary designation changes under *Becker v. Williams*, 777 F.3d 1035 (9th Cir. 2015). The panel clarified that *Kennedy v. Plan Administrator for DuPont Savings & Investment Plan*, 555 U.S. 285 (2009), did not nullify the doctrine of substantial compliance, consistent with this court's application of the doctrine in *Becker*.

The panel concluded that under California law, Liu's complaint plausibly alleged that her sister substantially

[*] This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

complied with the Plan's requirements. The panel therefore reversed and remanded for further proceedings.

The panel addressed additional claims in a concurrently-filed memorandum disposition.

COUNSEL

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Clarissa A. Kang (argued), Trucker Huss APC, San Francisco, California; Brian D. Murray, Trucker Huss APC, Encino, California; for Defendants-Appellees.

OPINION

PAEZ, Circuit Judge:

Plaintiff Sherry Yali Liu ("Liu" or "Plaintiff") sued the Kaiser Permanente Employees Pension Plan for the Permanente Medical Group, Inc. ("the Plan"), and Kaiser Foundation Health Plan, Inc. (collectively, "Defendants" or "Kaiser"), after Kaiser denied her claim for benefits due to her deceased sister, Ya-Xia Liu ("Ya-Xia" or "the decedent"). Plaintiff contends that before her sister died of cancer, she elected to receive her $676,980.77 earned pension benefits as a lump sum and designated Liu as her beneficiary. Therefore, Plaintiff argues, she is entitled to the decedent's benefits under the Employee Retirement Income Security Act of 1974 ("ERISA"). Kaiser denied Liu's claim, reasoning that Ya-Xia initiated, but did not finalize, an election and beneficiary designation, and that substantial compliance with the Plan's requirements is not a basis for benefits under ERISA. The district court granted Defendants' motion to dismiss the First Amended Complaint ("the Complaint") with prejudice. Because the Complaint plausibly alleges that the decedent substantially complied with the Plan's requirements, we reverse and remand for further proceedings.[1]

I.

A.

As an employee of The Permanente Medical Group, Inc. since 2000, Ya-Xia was a member of the Service Employees International Union, Local 250, United Healthcare Workers in the Northern California Region, and participated in the Kaiser Permanente Employees Pension Plan for The Permanente Medical Group., Inc., a pension plan organized under ERISA.

Ya-Xia was diagnosed with cancer. On May 6, 2021, Ya-Xia took a medical leave of absence, which she later converted into an extended sick leave. On March 18, 2022, Ya-Xia was taken to the Kaiser Santa Clara emergency room by an ambulance for medical care. Between March 19, 2022, and March 29, 2022, Ya-Xia was hospitalized, requiring 24-hour care. A benefit election form was submitted online at Ya-Xia's request on March 26, 2022, electing a lump sum rollover of her pension benefits into an

[1] Plaintiff also claimed entitlement to Ya-Xia's death benefits because the Plan incorporates 26 U.S.C. § 401(a)(9) and to surcharge and reformation under 29 U.S.C. § 1132(a)(3). The district court dismissed these claims. We address these claims in a memorandum disposition filed concurrently with this opinion.

E*TRADE securities account and designating Liu as her beneficiary. Ya-Xia died of cancer on March 29, 2022. She was unmarried and did not have a domestic partner or dependents.

After her sister's death, Liu submitted a Claim Initiation Form for Ya-Xia's $676,980.77 earned pension benefits. Kaiser denied Liu's claim for Ya-Xia's pension benefits, but paid Liu death benefits as the designated beneficiary of Ya-Xia's 401(k) Plan.[2] Liu administratively appealed. She argued that Ya-Xia made a valid election of a lump sum rollover and designated Liu as her beneficiary or, in the alternate, substantially complied with the Plan's requirements such that the election was valid.

The Appeals Subcommittee of the Kaiser Permanente Administrative Committee ("the Subcommittee") denied the appeal. The Subcommittee concluded that Ya-Xia initiated, but did not complete, an election before her death. The Subcommittee explained that the Plan requires two steps. First, a participant must complete the "prescribed form" listing her benefit election, benefit starting date, personal information, payment method, and tax withholdings, and file it "in a written form acceptable to the Administrative Committee." Second, in keeping with Kaiser's "consistent administrative practice," which is not made publicly available to participants, after Kaiser has reviewed the original submission, a participant must confirm her elections and personal information and acknowledge notices to finalize an election. Because Ya-Xia died before she could complete the second step, the Subcommittee concluded that

[2] Defendants do not claim that acceptance of the death benefits constitutes a settlement of all claims or that Liu has waived her present claims.

Ya-Xia failed to complete a valid election.[3] The Subcommittee also rejected Liu's argument that she was entitled to Ya-Xia's benefits because Ya-Xia substantially complied with the Plan's requirements, reasoning that ERISA does not permit a fiduciary to grant benefits based on substantial compliance with plan requirements.

Plaintiff filed this lawsuit in the district court, alleging entitlement to the decedent's benefits under 29 U.S.C. § 1132(a)(1)(B). The district court granted Defendants' motion to dismiss the Complaint with prejudice, reasoning that the Complaint failed to plausibly allege that Liu was entitled to benefits under a substantial compliance theory.[4]

B.

"[ERISA] is 'an enormously complex and detailed statute,' and the plans that administrators must construe can be lengthy and complicated." *Conkright v. Frommert*, 559 U.S. 506, 509 (2010) (quoting *Mertens v. Hewitt Assocs.*, 508 U.S. 248, 262 (1993)). We therefore begin with the relevant Plan provisions.

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[3] On March 31, 2022, before Kaiser learned of Ya-Xia's death, it sent a notice to Ya-Xia which stated that the first step of the process was complete and she could go online and complete the next step. At oral argument, Defendants' counsel reiterated that there was "no defect" in the completion of the first step.

[4] Because we conclude that the Complaint plausibly alleges that the decedent substantially complied with the Plan, we do not reach Liu's alternate argument that the Complaint plausibly alleges that Ya-Xia satisfied the Plan's requirements.

Provision E-8(c) of the Plan, "Electing an Optional Form of Pension," states:

> Subject to provisions of Section E-8(b), the Participant shall elect a Time of Payment and Method of Payment by filing the prescribed form, in writing, with the Administrative Committee at any time during the Election Period and by furnishing his intended Benefit Starting Date and proof of age for the Participant and the Participant's Spouse or other Joint Annuitant (whichever is applicable), in a written form acceptable to the Administrative Committee. A prior election may be revoked at any time during the Election Period but shall become irrevocable thereafter.

Under provision E-8(a)(v), "Single Sum" is one method of payment Participants may choose in their Method of Payment election: "An amount equal to the present value of the Participant's Pension as of the Participant's Benefit Starting Date is provided to him in a single payment. If the Participant dies before payment has been made, the single sum is paid to his designated beneficiary."

Under provision E-8(d), "Information for Participants," "[n]o less than 30 and no more than 90 days before the Participant's Benefit Starting Date, the Administrative Committee shall provide the Participant with a written explanation using nontechnical language of" specified terms, conditions, and rights. Provision E-8(e), "Actuarial Adjustment," states that "in no event may a Benefit Starting

Date precede receipt of the notices required in Section E-8(d)."

Under provision E-12A(b), "Death After Benefit Starting Date," "[i]f a Participant dies . . . after he has made a Method of Payment election within the 90-day period before the Benefit Starting Date, with a Method of Payment in effect that provides for payments after his death, payments are made in accordance with the Method of Payment option in effect."

II.

Exercising our jurisdiction under 28 U.S.C. § 1291, we review de novo a dismissal under Federal Rule of Civil Procedure 12(b)(6). *Moore v. Mars Petcare US, Inc.*, 966 F.3d 1007, 1016 (9th Cir. 2020). In evaluating a motion to dismiss, "[a]ll allegations of material fact in the complaint are taken as true and construed in the light most favorable to Plaintiffs." *Id.* To withstand a motion to dismiss, a complaint must "contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)).

Under ERISA, a pension plan must "specify the basis on which payments are made," and fiduciaries must administer the plan "in accordance with the documents and instruments governing the plan." 29 U.S.C. § 1102(b)(4); *id.* § 1104(a)(1)(D). A participant or beneficiary may bring suit under § 1132(a)(1)(B) "to recover benefits due to him under the terms of his plan."

Where a plan "gives the administrator or fiduciary discretionary authority to determine eligibility for benefits or to construe the terms of the plan," we review the denial of benefits for abuse of discretion. *Firestone Tire & Rubber Co. v. Bruch*, 489 U.S. 101, 115 (1989).[5] Antecedent legal questions upon which a denial is based, including the applicability of the doctrine of substantial compliance, are "question[s] of law that we review *de novo*." *Packaging Corp. of Am. Thrift Plan for Hourly Emps. v. Langdon*, 166 F.4th 645, 649 (7th Cir. 2026); *accord Meyer v. Duluth Bldg. Trades Welfare Fund*, 299 F.3d 686, 689 (8th Cir. 2002); *Penn v. Howe-Baker Engrs., Inc.*, 898 F.2d 1096, 1100 (5th Cir. 1990).

III.

Liu argues that the Complaint plausibly alleges entitlement to benefits based on Ya-Xia's substantial compliance with the Plan's requirements. The parties dispute the threshold applicability of the doctrine of substantial compliance and whether the Complaint plausibly alleges the decedent satisfied this standard. We hold that Kaiser erred in denying benefits based on its legal conclusion that the doctrine of substantial compliance is unavailable under ERISA. We also conclude that the Complaint plausibly alleges that Ya-Xia substantially complied with the Plan's requirements. We therefore reverse and remand for further proceedings.

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[5] The parties agree that the Plan grants Kaiser the "sole discretion to interpret the terms of THE PLAN and to determine eligibility for benefits under THE PLAN." The parties, however, do not address whether Kaiser has a conflict of interest whose "nature, extent, and effect on the decision-making process" informs the application of the abuse of discretion standard. *See Abatie v. Alta Health & Life Ins. Co.*, 458 F.3d 955, 967 (9th Cir. 2006) (en banc); *Montour v. Hartford Life & Acc. Ins. Co.*, 588 F.3d 623, 631 (9th Cir. 2009). On remand, Liu may raise this issue, if appropriate. We express no views on this issue.

A.

The Complaint alleges that Liu is entitled to the decedent's benefits because Ya-Xia substantially complied with the Plan's requirements to make a benefit election and designate a beneficiary. Liu argues the state law doctrine of substantial compliance applies because we have applied the doctrine to determine whether an attempted beneficiary designation sufficiently complied with specified plan requirements.[6] *See BankAmerica Pension Plan v. McMath*, 206 F.3d 821, 828–31 (9th Cir. 2000); *Becker v. Williams*, 777 F.3d 1035, 1041–42 (9th Cir. 2015). Kaiser responds that the Complaint fails to state a claim because the doctrine of substantial compliance does not apply to benefit elections, citing *Leung v. Skidmore, Owings & Merrill LLP*, 213 F. Supp. 2d 1097, 1102 (N.D. Cal. 2002) (observing in dictum that "[i]n ERISA cases, it appears that the doctrine [of substantial compliance] has only been applied in the context of an attempt to change the designated beneficiary."). Liu has the better argument.

Liu is correct that we previously found the doctrine of substantial compliance applicable in a similar context: beneficiary designation changes. Kaiser argues that our decision in *Becker*, 777 F.3d 1035, is distinguishable. In *Becker*, we considered whether an attempt to change beneficiaries by phone was effective, or if the decedent in that case was required additionally to sign and return beneficiary designation forms confirming the change. *Id.* at 1041. The plan in *Becker* provided that participants could

[6] We have held that ERISA does not "preempt[] California's doctrine of substantial compliance," and Kaiser does not contend otherwise. *BankAmerica Pension Plan v. McMath,* 206 F.3d 821, 828 (9th Cir. 2000).

"change [the] designation of beneficiary from time to time," and the Summary Plan Description "clarif[ied]" that unmarried participants could change designations by phone or online. *Id.* We concluded that a reasonable trier of fact could find that the decedent intended to change his beneficiary, and that his phone calls constituted substantial compliance with the plan's requirements. *Id.* at 1042. Kaiser argues that the doctrine of substantial compliance applied in *Becker* because the plan at issue "lacked a specific procedure" for designating beneficiaries, unlike the Plan in this case, which "sets forth a very specific process" for making elections and designating beneficiaries.

The justifications for the doctrine of substantial compliance do not support Kaiser's proffered distinctions. The doctrine's purpose is to "circumvent harsh results 'engendered by a formalistic, overly technical adherence to the exact words of the change of beneficiary provision in a given policy.'" *BankAmerica*, 206 F.3d at 828 (quoting *Phoenix Mut. Life Ins. Co. v. Adams*, 30 F.3d 554, 563 (4th Cir. 1994)). These considerations are plainly applicable to plans with "specific procedure[s]." And these animating concerns arise in the beneficiary designation and benefit election contexts alike, particularly where there is a risk of benefit forfeiture. In the public pension context, California courts have explained that there is "an even stronger case for application of the substantial compliance rule" where "strict enforcement" would mean "earned pension benefits would result in a complete forfeiture (rather than having the benefits be given to a different claimed beneficiary)," as in the present case. *Manderson-Saleh v. Regents of Univ. of California*, 274 Cal. Rptr. 3d 838, 861 (Ct. App. 2021). Failure to apply the rule in such circumstances would "undermine the strong public policies in favor of recognizing an employee's pension rights." *Id.* And the "right to designate a beneficiary in the event of an employee's death can be as important to the employee, if not more important, than the right to receive retirement benefits during the employee's lifetime." *Id.*

Even assuming for argument's sake that a specificity-based distinction could impact the availability of the doctrine, we disagree that the Plan in this case is distinguishable from the one in *Becker.*

The Plan establishes that "the Participant shall elect a Time of Payment and Method of Payment by filing the prescribed form, in writing, with the Administrative Committee" and "by furnishing his intended Benefit Starting Date and proof of age . . . in a written form acceptable to the Administrative Committee." Adopting all reasonable inferences in favor of Plaintiff, the Complaint alleges that Ya-Xia filed Kaiser's required form and provided the requisite information. Kaiser avers that this provision is more "specific" than it appears, because it incorporates its "consistent administrative practice" of requiring additional election confirmations and acknowledgement of notices.

But the Plan does not specify that these steps are required to complete a benefit election or beneficiary designation. *Becker*, 777 F.3d at 1041. Nor does the Summary Plan Description ("SPD") so "clarif[y]." *Id.* For example, the SPD describes what happens if a Participant dies after Kaiser receives a completed election, but not what steps are required to render an election valid. So too, while the SPD provides instructions for designating a domestic partner for pre-retirement survivor benefits and sets criteria for Qualified Dependents, it does not provide instructions for how to otherwise designate a beneficiary. And while the

Plan contemplates that Kaiser "shall provide" the Participant with certain notices, it does not establish that acknowledgement of these notices is required to make an election or designation.

In other words, the Plan does not, as Kaiser argues, "set[] forth a very specific process" for elections and designations such that our application of the doctrine of substantial compliance in *Becker* is distinguishable. While Kaiser retains discretion to deny benefits based on its interpretation of the scope of the Plan, it may not deny benefits based upon an erroneous legal conclusion.

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We also clarify that *Kennedy v. Plan Administrator for DuPont Savings & Investment Plan*, 555 U.S. 285 (2009), did not nullify the doctrine of substantial compliance, consistent with our application of the doctrine in *Becker*, 777 F.3d at 1041.

In *Kennedy,* an employee designated his then-wife as the beneficiary of his pension benefit plan. 555 U.S. at 289. The couple divorced, and the ex-wife waived her interest in his pension benefits under their divorce decree. *Id.* The husband did not remove or attempt to remove his ex-wife from his pension plan through the plan's designated process. *Id.* After the employee's death, his estate requested distribution of the funds pursuant to the divorce decree. *Id.* at 289–90. The administrator instead paid the balance to the ex-wife, who remained a beneficiary pursuant to the plan's terms. *Id.*

In relevant part, the Supreme Court held that the administrator correctly disregarded the ex-wife's waiver, because it "conflict[ed] with the designation made by the former husband in accordance with plan documents." *Id.* at 288. The Court explained that "by giving a plan participant a clear set of instructions for making his own instructions clear, ERISA forecloses any justification for enquiries into nice expressions of intent." *Id.* at 301.

The doctrine of substantial compliance was not at issue in *Kennedy*. That is, *Kennedy* did not involve an attempted beneficiary designation *consistent* with the plan's terms. *Id.* at 303 ("The plan provided an easy way for [the husband] to change the [beneficiary] designation, but for whatever reason he did not."). The Court accordingly noted that "the Estate does not contend that [the ex-wife's] waiver was a valid disclaimer under the terms of the plan" and acknowledged that its decision "leaves open any questions about a waiver's effect in circumstances in which it is consistent with plan documents." *Id.* at 300 n.10; *id.* at 303–04 n.13.[7]

Putting *Kennedy* and *Becker* together, while plan administrators may not consider expressions of intent in "external documents" not contemplated by the plan, the doctrine of substantial compliance may be available where a participant attempts to "effectuat[e] [her] intent through the plan itself." *Id.* at 301 (citation omitted); *Standard Ins. Co. v. Guy*, 115 F.4th 518, 523 (6th Cir. 2024). Because the Complaint plausibly alleges that the decedent used the Plan's designated mechanism, this case is governed by *Becker*.

[7] Nor does this case implicate one concern "central to the Supreme Court's decision in *Kennedy*," the "avoidance of potential double liability." *Est. of Kensinger v. URL Pharma, Inc.*, 674 F.3d 131, 136 (3d Cir. 2012).

B.

Whether a participant substantially complied with the Plan's requirements is a question of state law. *BankAmerica*, 206 F.3d at 828–29. Under California law, a participant who "has done all that he could to effect the change but dies before the change is actually made" satisfies the standard. *Life Ins. Co. of N. Am. v. Ortiz*, 535 F.3d 990, 994 (9th Cir. 2008) (citing *Cook v. Cook*, 111 P.2d 322, 328 (Cal. 1941)). Thus, where the beneficiary takes "every reasonable effort under the circumstances, complying as far as [s]he is able with the rules" and there is a "clear manifestation of intent" to make a change, under California law, "equity should regard the change as effected." *BankAmerica*, 206 F.3d at 830 (quoting *Pimentel v. Conselho Supremo De Uniao Portugeuza Do Estado Da California*, 57 P.2d 131, 134 (Cal. 1936)).

The Complaint plausibly alleges that the decedent did "all that could reasonably be required of [her]" under the circumstances.[8] *Campbell v. Cent. Life Ins. Co. of Ill.*, 16 Cal. Rptr. 383, 387 (Ct. App. 1961). The Complaint states that Ya-Xia was hospitalized, requiring 24-hour care, when Kaiser's election form was properly completed and submitted at her request. She died of cancer three days later. She was not alive to acknowledge any subsequent notices or to submit any re-confirmations. It is hard to imagine what

[8] Liu argues that Kaiser administratively forfeited its argument that she failed to substantially comply with the Plan's requirements. *See Harlick v. Blue Shield of Cal.*, 686 F.3d 699, 719–20 (9th Cir. 2012). We need not decide whether Kaiser's argument on appeal amounts to an impermissible "new rationale," because even assuming Kaiser properly raised the argument, the Complaint plausibly alleges substantial compliance with the Plan's requirements. *Collier v. Lincoln Life Assurance Co. of Boston*, 53 F.4th 1180, 1186 (9th Cir. 2022).

more a dying cancer patient could “reasonably” do “under the circumstances” to make an election. *Id.*; *Pimentel*, 57 P.2d at 134.

REVERSED and REMANDED.

Appellant shall recover her costs on appeal.