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## In re. Estate of Easterday

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# IN RE ESTATE OF EASTERDAY

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📅 June 9, 2020

🏛️ [Case Summary, Divorce, ERISA, Estate Planning, Life Insurance, Preemption](#)

📍 [Pennsylvania](#)

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The [Supreme Court of Pennsylvania](#) is the highest court in the Commonwealth and the oldest appellate court in the nation ([Image Source](#)).

## ABSTRACT

**Case Name:** In re Estate of Easterday, 209 A.3d 331 (Pa. 2019).

**Jurisdiction:** Supreme Court of Pennsylvania.

**Plaintiff/Counter-Claim Defendant:** Matthew M. Easterday, son of Decedent.

**Defendant/Counter-Claim Plaintiff:** Colleen A. Easterday, wife/soon-to-be ex-wife of Decedent.

**Concepts:** Estate Planning; Divorce; Life Insurance; & ERISA preemption of state law.

**Nature of Case:** Whether pending divorce has an effect on entitlement to life insurance; and whether ERISA preempts state law specifically relating to enforcement of a contractual waiver in relation to pension benefits.

**Lower Ct. Decision:** Court of Common Pleas, Orphans' Court (Mar. 22, 2016).

**Appellate Decision:** Superior Court of Pennsylvania (October 3, 2017).

## INTRODUCTION

Despite being married in 2004, Michael Easterday (“Decedent”) and Colleen Easterday (“Easterday”) were separated in July 2013 and Easterday then filed for divorce the following month.<sup>1</sup> Prior to their marriage, Decedent participated in a pension plan established by Federal Express and also held a \$250,000 life insurance policy.<sup>2</sup> Easterday became the beneficiary of both plans while the two were married.<sup>3</sup> The grounds for the parties’ divorce were under Pennsylvania Divorce Code section 3301(c) by mutual consent and then executed a property settlement agreement purporting to permit the retention of each’s own pensions plans and other similar compensation related plans.<sup>4</sup>

While the parties attempted to follow the requirements of the Pennsylvania Divorce Code, Easterday held onto Decedent’s timely executed affidavit, without seeking notarization and filing until the middle of January 2014.<sup>5</sup> Decedent’s affidavit was deemed invalid because more than thirty days had passed since it was signed by Decedent.<sup>6</sup> A new affidavit was not executed by Decedent prior to his September 2014 death.<sup>7</sup> As a result, Easterday withdrew her divorce petition and shortly thereafter sought receipt of the benefits of both Decedent’s insurance

policy and pension plan.<sup>8</sup> On appeal, Easterday was ultimately granted the right to keep the insurance proceeds and the Decedent's estate was entitled to the pension plan benefits.<sup>9</sup>

The issues on appeal focus on who is entitled to the proceeds of the life insurance plan and the pension benefit plan, given the failure of Easterday and Decedent to formalize their divorce and the existence of a valid property settlement agreement. This case is important because it shows the importance of ensuring that you promptly attend to matters that you intend to be true. If Decedent had promptly refiled his affidavit of consent, then the divorce process would have moved forward and there would have been good cause for divorce and Easterday would not have had the ability to seek the insurance proceeds as her rights to them would have been nullified upon the divorce being established. Additionally, upon the execution of the property settlement agreement, had Decedent taken the proper steps to remove Easterday as the beneficiary, then the Estate would not have had to bring a claim for those proceeds, as the Estate would have likely been designated as the beneficiary. Therefore, if this case teaches one thing, it would be to act promptly to ensure that your rights, or the rights of your estate, are protected.

## BACKGROUND

In general, marriage and divorce are matters of state law.<sup>10</sup> In Pennsylvania, grounds for divorce are established by mutual consent of the parties when: (1) the marriage is irretrievably broken; (2) an affidavit of consent is filed by each party; and (3) 90 or more days have passed since the divorce petition was filed.<sup>11</sup> Thus, these rules govern when determining disposition of property upon death of one of the parties.

While ERISA generally “supersede[s] any and all State laws insofar as they may now or hereafter relate to any employee benefit plan,”<sup>12</sup> the relation contemplated by Congress depends on the extent to which the underlying goals of ERISA are affected by state laws.<sup>13</sup> Where the court in *Egelhoff v. Egelhoff* held that state law was preempted because it purported to change the beneficiary based on state law rather than who was designated by the plan,<sup>14</sup> here the state contract law which Easterday claims is preempted by ERISA, does not control who the beneficiary of an ERISA plan is, but rather permits a third party to recover the proceeds sent to the named beneficiary on the basis of a state law contract (i.e. the property

settlement agreement).<sup>15</sup> Therefore, when the goal of ERISA is threatened by the application of a state law, then the state law will be preempted, but that was not the case here.

## CASE DESCRIPTION

Decedent's son and executor, Matthew Easterday ("the Estate"), petitioned the Pennsylvania Orphan's Court to Compel Easterday to return the funds received by Easterday because the Pennsylvania Probate, Estates and Fiduciary Code ("PEF") nullifies a life insurance beneficiary's designation when the holder of the policy dies prior to the finalization of divorce.<sup>16</sup> Easterday claims that because no affidavit of consent was validly filed, divorce has not been established under the PEF and her rights were therefore not divested.<sup>17</sup> The Estate challenged the awarding of pension plan benefits to Easterday on the grounds that the party's property settlement agreement waived any rights Easterday had to the pension plan.<sup>18</sup> Easterday claims that not only did Decedent fail to take any steps to remove her from the pension plan, the two were reconciling at his death and therefore she still had a valid claim to the money.<sup>19</sup>

The Orphan's Court found that because Easterday withdrew her petition for divorce after Decedent's death, the Estate had no standing to bring an action based on the Divorce Code.<sup>20</sup> The Orphan's Court further found that disposition of the marital property was controlled by the parties' property settlement agreement and held: (1) the pension plan benefits were waived by the agreement and (2) the agreement did not dispose of the insurance policy and as the current named beneficiary, she was entitled to the proceeds of the insurance policy.<sup>21</sup>

On appeal by both parties, the Pennsylvania Superior Court rejected the Orphan's Court's reliance on *Tosi v. Kizis*<sup>22</sup> because it had previously been disapproved of by the Pennsylvania Rules of Civil Procedure.<sup>23</sup> The Superior Court then determined that despite the Orphan Court's misguided reliance on *Tosi*, the Decedent never remedied his defective affidavit and therefore no grounds for divorce were established and Easterday was entitled to the life insurance benefits.<sup>24</sup> Finally, the Superior Court held that ERISA did not preempt Pennsylvania's state law regarding contract claims because preemption only occurs to further the underlying goal of ERISA to streamline administration of benefit plans and therefore the state's contract law specifically seeking to obtain the funds from Easterday after the plan had been paid out already, under the terms of the property settlement agreement, was not preempted by ERISA.<sup>25</sup>

The Pennsylvania Supreme Court upheld the holdings of the lower courts.<sup>26</sup> Based on Decedent's failure to file a valid affidavit of consent, no grounds for divorce were established and therefore Easterday's rights to the life insurance policy were not nullified.<sup>27</sup> The Supreme Court further held that ERISA does not concern a beneficiary's rights to keep the paid benefits, if the payment of those benefits are subject to a valid contract, as they were here, and thus there is no preemption and the Estate had a valid claim to the pension benefits.<sup>28</sup>

## CONCLUSION

In conclusion, this case poses some interesting questions about beneficiary's rights when a person dies during divorce proceedings. The rights of the parties really turned on several key steps within a divorce proceeding, namely, when the parties enter into a property settlement agreement, and when grounds for divorce are legally established. Had the facts been even slightly different here, it is likely that an entirely different outcome would have ensued. Overall, the holding seems in line with the interests of justice. As the facts indicate, the divorce proceedings extended out for nearly a year before the Decedent's death. During that time period, the Decedent could have submitted a valid affidavit of consent and moved the divorce forward, but for some unknown reasons failed to do so. So the courts' awarding of one plan to the estate and one plan to Easterday, ultimately, seems like a fair and just resolution of this matter.

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1. *In re Estate of Easterday*, 209 A.3d 331, 333 (Pa. 2019). ↩
  2. *Id.* ↩
  3. *Id.* ↩
  4. *Id.* ↩
  5. *Id.* at 334. ↩
  6. *Id.* ↩
  7. *Id.* ↩
  8. *Id.* ↩
  9. *Easterday*, 209 A.3d 331. ↩
  10. 27A C.J.S. *Divorce* § 22 (2019). ↩
  11. 23 Pa.C.S. § 3301. ↩
  12. 29 U.S.C. § 1144. ↩
  13. *Egelhoff v. Egelhoff*, 532 U.S. 141, 147 (2001). ↩

14. *Id.* ↵
15. *Easterday*, 209 A.3d at 344-45. ↵
16. *Id.* at 334; see also, 20 Pa.C.S. § 6111.2. ↵
17. *Easterday*, 209 A.3d at 335. ↵
18. *Id.* at 334. ↵
19. *Id.* at 335. ↵
20. *Id.* ↵
21. *Id.* ↵
22. *Tosi v. Kizis*, 85 A.3d 585 (Pa. Super. 2014). ↵
23. *Easterday*, 209 A.3d at 335. ↵
24. *Id.* at 337. ↵
25. *Id.* at 337-38. ↵
26. *Id.* at 342, 346. ↵
27. *Id.* at 342. ↵
28. *Id.* at 346. ↵



### Posted by Corey Michelle Timpson

Corey Timpson recently passed the California bar exam and is a practicing attorney in Walnut Creek, doing primarily civil litigation defense work. Ms. Timpson also works on estate planning matters for a limited clientele. She received a Bachelors of Arts in Psychology from the University of California, Los Angeles in 2016, a Juris Doctorate from Golden Gate University School of Law in 2019, and is currently enrolled, full-time, in the Dual Estate Planning and Taxation LLM Program at Golden Gate University School of Law with an expected completion date of December 2020. While in law school Ms. Timpson was the Executive Research Editor of the Golden Gate University Law Review, where her article published in the Journal's February 2019 Ninth Circuit Survey. Ms. Timpson is interested in taxation and estate planning because it is not only an interesting and always changing area of law, it is also an incredibly important field of law and will always be relevant.

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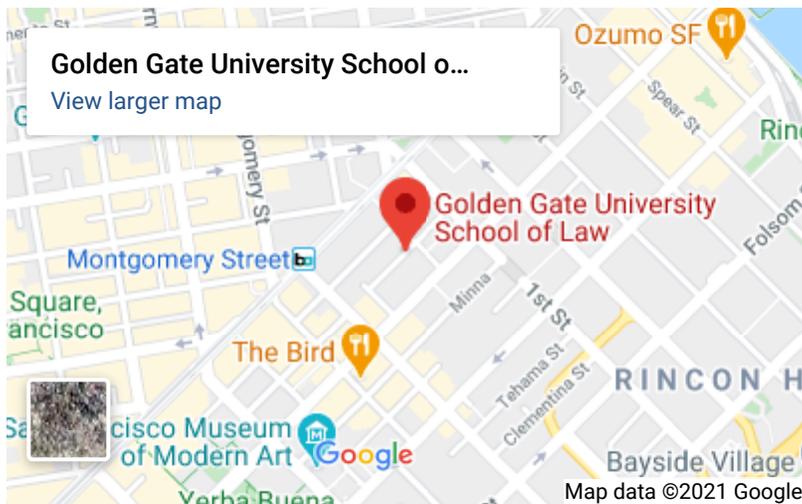
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