Syllabus

SUPREME COURT OF THE UNITED STATES

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BECK, LIQUIDATING TRUSTEE OF ESTATES OF CROWN VANTAGE, INC., ET AL. *v.* PACE INTERNATIONAL UNION ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 05–1448. Argued April 24, 2007—Decided June 11, 2007

Respondent PACE International Union represented employees covered by single-employer defined-benefit pension plans sponsored and administered by Crown, which had filed for bankruptcy. Crown rejected the union's proposal to terminate the plans by merging them with the union's own multiemployer plan, opting instead for a standard termination through the purchase of annuities, which would allow Crown to retain a $5 million reversion after satisfying its obligations to plan participants and beneficiaries. The union and respondent plan participants (hereinafter, collectively, PACE) filed an adversary action in the Bankruptcy Court, alleging that Crown's directors had breached their fiduciary duties under the Employee Retirement Income Security Act of 1974 (ERISA), 29 U. S. C. §1001 *et seq.*, by neglecting to give diligent consideration to PACE's merger proposal. The court ruled for PACE, and petitioner bankruptcy trustee appealed to the District Court, which affirmed in relevant part, as did the Ninth Circuit. The Ninth Circuit acknowledged that the decision to terminate a pension plan is a business decision not subject to ERISA's fiduciary obligations, but reasoned that the implementation of a termination decision is fiduciary in nature. It then determined that merger was a permissible termination method and that Crown therefore had a fiduciary obligation to consider PACE's merger proposal seriously, which it had failed to do.

Held: Crown did not breach its fiduciary obligations in failing to consider PACE's merger proposal because merger is not a permissible form of plan termination under ERISA. Section §1341(b)(3)(A) provides: "In . . . any final distribution of assets pursuant to . . . standard termination . . . , the plan administrator shall . . . (i) purchase irrevocable commitments from an insurer to provide all benefit liabilities under the plan, or . . . (ii) in accordance with the provisions of the plan and any applicable regulations, otherwise fully provide all benefit liabilities under the plan." The parties agree that clause (i) refers to the purchase of annuities, and that clause (ii) allows for lump-sum distributions. These are by far the most common distribution methods. To decide that merger is also a permissible method, the Court would have to disagree with the Pension Benefit Guaranty Corporation (PBGC), the entity administering the federal insurance program that protects plan benefits, which takes the position that §1341(b)(3)(A) does *not* permit merger as a method of termination because merger is an *alternative* to (rather than an example of) plan termination. The Court has traditionally deferred to the PBGC when interpreting ERISA. Here, the Court believes that the PBGC's policy is based upon a construction of the statute that is permissible, and indeed the more plausible.

PACE argues that §1341(b)(3)(A)(ii)'s residual provision referring to an asset distribution that "*otherwise* fully provide[s] all benefit liabilities under the plan" covers merger because annuities (covered by §1341(b)(3)(A)(i)) are an example of a permissible means of "provid[ing] . . . benefit liabilities," and merger is the legal equivalent of annuitization. Even assuming that PACE is right about the meaning of the word "otherwise," the clarity necessary to disregard the PBGC's considered views is lacking for three reasons. First, terminating a plan through purchase of annuities formally severs ERISA's applicability to plan assets and employer obligations, whereas merging the Crown plans into PACE's multiemployer plan would result in the former plans' assets remaining *within* ERISA's purview, where they could be used to satisfy the benefit liabilities of the multiemployer plan's other participants and beneficiaries. Second, although ERISA expressly allows the employer to (under certain circumstances) recoup surplus funds in a standard termination, §1344(d)(1), (3), as Crown sought to do here, merger would preclude the receipt of such funds by reason of §1103(c), which prohibits employers from misappropriating plan assets for their own benefit. Third, merger is nowhere mentioned in §1341, but is instead dealt with in an entirely different set of statutory sections setting forth entirely different rules and procedures, §§1058, 1411, and 1412. PACE's argument that the procedural differences could be reconciled by requiring a plan sponsor intending to use merger as a termination method to follow the rules for both merger and termination is condemned by the confusion it would engender and by the fact that it has no apparent basis in ERISA.

Even from a policy standpoint, the PBGC's construction of the statute is eminently reasonable because termination by merger could have detrimental consequences for the participants and beneficiaries of a single-employer plan, as well as for plan sponsors. Pp. 4–14.

427 F. 3d 668, reversed and remanded.

SCALIA, J., delivered the opinion for a unanimous Court.