SUPREME COURT OF THE UNITED STATES

No. 91–610

LOCAL 144 NURSING HOME PENSION FUND, ET AL., PETITIONERS *v.* NICHOLAS DEMISAY ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[June 14, 1993]

JUSTICE SCALIA delivered the opinion of the Court.

This case presents the question whether a federal district court may issue an injunction pursuant to §302 of the Labor Management Relations Act, 1947 (LMRA), 61 Stat. 157, as amended, 29 U. S. C. §186 (1988 ed. and Supp. III), requiring the trustees of a multiemployer trust fund to transfer assets from that fund to a new multiemployer trust fund established by employers who broke away from the first fund.

Respondents include a group of employers that, until 1981, were members of a multiemployer bargaining association, the Greater New York Health Care Facilities Association, Inc. (Greater Employer Association). Two trust funds—the Local 144 Nursing Home Pension Fund and the New York City Nursing Home–Local 144 Welfare Fund (collectively, Greater Funds)—were established pursuant to collective-bargaining agreements between the Greater Employer Association and the relevant union, Local 144 of the Hotel, Hospital, Nursing Home and Allied Services Employees Union, Service Employees International Union, AFL–CIO (Local 144). Prior to 1981,

the respondent employers made contributions to the Greater Funds on behalf of their employees in accordance with the terms of collective-bargaining agreements negotiated between the Greater Employer Association and Local 144.

In 1981, the respondent employers broke away from the Greater Employer Association and executed independent collective-bargaining agreements with Local 144. The initial agreements required continuing employer contributions to the Greater Funds, but those concluded in 1984 provided for establishment of a new set of trust funds, the Local 144 Southern New York Residential Health Care Facilities Association Pension Fund and the Local 144 Southern New York Residential Health Care Facilities Association Welfare Fund (Southern Funds). At approximately the same time, the respondent employers ended their participation in the Greater Funds.

In negotiating the transfer from the Greater Funds to the Southern Funds, the "primary concern" of Local 144 was to make sure that the shift would not cause its members to lose benefits. 935 F. 2d 528, 530 (CA2 1991). To address that concern, the respondent employers guaranteed in their collective-bargaining agreements that the Southern Funds would recognize all credited service time earned under the Greater Funds and, more generally, that employees would not lose any benefits as a result of the withdrawal from the Greater Funds. See 710 F. Supp. 58, 60–61 (SDNY 1989). That guarantee obviously created some peculiar liabilities for the Southern Funds. For example, an employee who had earned nine years credited service time under the Greater Funds would, after just one more year of service, acquire vested rights to pension benefits pursuant to the 10-year vesting requirement of the Southern Funds—even though the Southern Funds had received only one year of employer contributions for that employee.

See *id.*, at 61, n. 4. The Southern Funds' assumption of these liabilities, however, did not alter the obligations of the Greater Funds, which were not parties to the collective-bargaining agreements: They remained liable to the departing employees for all vested benefits. See *id.*, at 61, and n. 5, 65; 935 F. 2d, at 530–531.

To help cover the Southern Funds' liabilities and in general to help finance the change from the Greater Funds to the Southern Funds, the respondent employers—joined by several of their employees and the trustees of the Southern Funds—brought this action to compel petitioners, the Greater Funds and the Greater Funds' trustees, to transfer an appropriate fractional share of the Greater Funds' assets to the Southern Funds. They asserted right to relief under the Employee Retirement Income Security Act of 1974 (ERISA), 29 U. S. C. §1001 *et seq*. (1988 ed. and Supp. III), and under §302 of the LMRA; only the latter claim is at issue here.

The relevant portions of §302 are set forth in the margin.[1] To describe respondents' claim, it is

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[1]Section 302, 29 U. S. C. §186 (1988 ed. and Supp. III), provides in part:

"(a) It shall be unlawful for any employer or association of employers . . . to pay, lend, or deliver . . . any money or other thing of value—

"(1) to any representative of any of his employees who are employed in an industry affecting commerce; or

"(2) to any labor organization, or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer . . . ;

. . . . .

"(b) (1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of

necessary to sketch the structure of that provision. Subsection (a) prohibits an employer (or an association of employers, such as the Greater Employer Association) from, *inter alia*, making payments to any representative of its employees, including the employees' union and union officials. Paragraph (b)(1) is the "reciprocal" of subsection (a), *Arroyo* v. *United States*, 359 U. S. 419, 423 (1959),

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any money or other thing of value prohibited by subsection (a) of this section.

. . . . .

"(c) The provisions of this section shall not be applicable . . . (5) with respect to money or other thing of value paid to a trust fund established by [the representative of the employees], for the sole and exclusive benefit of the employees of such employer, and their families and dependents (or of such employees, families and dependents jointly with the employees of other employers making similar payments, and their families and dependents): *Provided*, That (A) such payments are held in trust for the purpose of paying . . . for the benefit of employees, their families and dependents, for medical or hospital care, pensions on retirement or death of employees, . . . (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer . . . ; and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities; . . .

. . . . .

"(e) The district courts of the United States and the United States courts of the Territories and possessions shall have jurisdiction, for cause shown, and subject to the provisions of section 381 of title 28

making it unlawful for employee representatives to receive the payments prohibited by subsection (a). The prohibitions of subsection (a) and paragraph (b)(1) are drawn broadly, and would prevent payments to union employee health and welfare funds such as those at issue here. See generally *United States* v. *Ryan*, 350 U. S. 299, 304–305 (1956); Goetz, Employee Benefit Trusts under Section 302 of Labor Management Relations Act, 59 Nw. U. L. Rev. 719, 723–731 (1965). Subsection 302(c), however, provides exceptions to the prohibitions. Most significantly for our purposes, paragraph (c)(5) excepts payments to an employee trust fund so long as certain conditions are met, including that the trust fund be "established . . . for the sole and exclusive benefit of the employees," and that the payments be "held in trust for the purpose of paying" employee benefits.

Respondents' theory is that the Greater Funds cannot meet those last quoted conditions unless they transfer to the Southern Funds the portion of their reserves that is attributable to the respondents' past contributions. If they fail to do so, according to respondents, they will suffer from a "structural defect" which can be remedied by federal courts pursuant to the power conferred by §302(e) to "restrain violations of this section."

The District Court granted petitioners' motion for summary judgment. Though it agreed with respondents that it had power to "review a challenge that the Greater Funds are structurally deficient under [§302(c)(5)'s] `sole and exclusive' benefit standard," 710 F. Supp., at 61, 62, it found no "structural defect," since there was no allegation of

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(relating to notice to opposite party) to restrain violations of this section, without regard to the provisions of section 17 of title 15 and section 52 of this title, and the provisions of chapter 6 of this title."

corruption in the Greater Funds and since the transfer of assets would not further any collective-bargaining policies. *Id.*, at 64. The Court of Appeals reversed, holding that the Greater Funds "would suffer from a `structural defect'" unless the funds transferred a portion of their assets to the Southern Funds. 935 F. 2d, at 534. It remanded for the District Court "to shape an appropriate remedy guided by the principle that a fair portion of the reserves reflecting contributions made to the Greater Funds on behalf of the [respondents' employees] should be reallocated to the Southern Funds." *Ibid*. We granted certiorari, 505 U. S. ___ (1992).

Both the District Court and the Court of Appeals relied on the Second Circuit's earlier decision in *Local 50, Bakery and Confectionery Workers Union, AFL–CIO* v. *Local 3, Bakery and Confectionery Workers Union, AFL–CIO*, 733 F. 2d 229 (1984), which held that federal courts have "`jurisdiction under [section 302(e)] to enforce a trust fund's compliance with the statutory standards set forth in subsection (c)(5) by eliminating those offensive features in the structure or operation of the trust that would cause it to fail to qualify for a (c)(5) exception.'" *Id.*, at 234 (quoting *Associated Contractors of Essex Cty., Inc.* v. *Laborers Int'l Union of North America*, 559 F. 2d 222, 225 (CA3 1977)). *Local 50* and the decision below are among a large body of conflicting cases bearing upon federal courts' powers under §302(e) to supervise the administration of §302(c)(5) trust funds. A number of courts have held that §302(e) confers broad supervisory powers. See, *e.g.*, *Ponce* v. *Construction Laborers Pension Trust for Southern California*, 628 F. 2d 537, 541–542 (CA9 1980); *Lewis* v. *Mill Ridge Coals, Inc.*, 298 F. 2d 552, 558 (CA6 1962). Others have held that it confers no supervisory powers at all. See, *e.g.*, *Ader* v. *Hughes*, 570 F. 2d 303, 306 (CA10

1978); *Bowers* v. *Ulpiano Casal, Inc.*, 393 F. 2d 421 (CA1 1968); *Moses* v. *Ammond*, 162 F. Supp. 866, 871–872 (SDNY 1958). Still others have acknowledged supervisory powers limited in various respects. See *Riley* v. *MEBA Pension Trust*, 570 F. 2d 406, 412–413 (CA2 1977); *Knauss* v. *Gorman*, 583 F. 2d 82, 86–87 (CA3 1978). Our most recent case in this area expressly reserved the question. See *Mine Workers Health and Retirement Funds* v. *Robinson*, 455 U. S. 562, 573, n. 12 (1982).

We hold today that §302(e) does not provide authority for a federal court to issue injunctions against a trust fund or its trustees requiring the trust funds to be administered in the manner described in §302(c)(5). By its unmistakable language, §302(e) provides district courts with jurisdiction "to restrain violations of this section." A "violation" of §302 occurs when the substantive restrictions in §§302(a) and (b) are disobeyed, which happens, not when funds are administered by the trust fund, but when they are "pa[id], len[t], or deliver[ed]" to the trust fund, §302(a), or when they are "receive[d], or accept[ed]" by the trust fund, or "request[ed], [or] demand[ed]" for the trust fund, §302(b)(1). And the exception to violation set forth in paragraph (c)(5) relates, not to the purpose for which the trust fund is in fact used (an unrestricted fund that happens to be used "for the sole and exclusive benefit of the employees" does not qualify); but rather to the purpose for which the trust fund is "established," §302(c)(5), and for which the payments are "held in trust," §302(c)(5)(A).[2] The trustees' failure to *comply*

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[2]JUSTICE STEVENS asserts that our holding is "uninvited," *post*, at 9, was "quite unanticipated by the submissions of the parties" *post*, at 3, and has been reached "[w]ithout the benefit of argument . . . by either litigant," *ibid*. That is not so. The Summary of Argument in petitioners' brief began with the

with these latter purposes may be a breach of their contractual or fiduciary obligations and may subject them to suit for such breach; but it is no violation of §302.[3]

A few courts and some academic commentators have drawn an analogy between §§301 and 302 of the LMRA and have suggested that, as §301 has been held to create a federal common law governing labor

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assertion that §302(c)(5) was only "a narrow exception to a broad criminal prohibition." Brief for Petitioners 7. The first subdivision of the Argument elaborated on that point, arguing that the provision conferred no authority "to oversee the administration of employee benefit plans." *Id.*, at 8. And the next subdivision, entitled "Lower Federal Courts Have Misconstrued Section 302(c)(5) in Asserting Broad Jurisdiction over the Regulation of Employee Benefit Plans," systematically criticized the lower-court jurisprudence permitting regulation of benefit plans, including cases from almost every Circuit. *Id.*, at 11–18. The subdivision concluded: "[T]he federal courts simply do not have the power, by reason of Section 302(c)(5), to restructure and regulate employee benefit plans." *Id.*, at 18 (footnote omitted). By attacking the basic authority of federal courts to regulate §302(c)(5) trust funds, petitioners raised the issue we decide here, and amply discussed the considerations bearing upon it. Respondents evidently understood the import of petitioners' argument. They devoted an entire subdivision of their brief to the topic "Federal Courts Have Authority To Remedy Violations Of Section 302(c)(5) In Civil Cases." See Brief for Respondents 17–19. In response to our point here, JUSTICE STEVENS quotes a passage from a *different* section of petitioners' brief and claims that it is "disingenuous" to characterize *that* argument as a broad attack on a federal court's power, *post*, at 6, n. 4. We do not do so.

contracts, see *Textile Workers* v. *Lincoln Mills of Alabama*, 353 U. S. 448 (1957), so too should §302 be viewed as authorizing the development of "a specialized body of federal common law of trust administration." Goetz, Developing Federal Labor Law of Welfare and Pension Plans, 55 Cornell L. Rev. 911, 930 (1970). One court has said, quoting *Lincoln Mills*, 353 U. S., at 457, that "jurisdiction in a case of

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[3]JUSTICE STEVENS concludes that "it is perfectly clear that funds are no longer `held in trust for the purpose' of benefitting employees if, immediately after deposit into a legitimate trust fund, they are diverted for some improper purpose." *Post*, at 5–6, n. 3. It is true that funds are "no longer" held in trust if they are misappropriated (just as it is true that funds are "no longer" held in trust when they are paid out in the form of pensions), but it is also irrelevant. If the payments, when received by the relevant employee representative, "are held in trust" and that trust satisfies the other requirements of §302(c)(5) (including that it have been "established" for the proper purposes), the exception in §302(c)(5) applies and the payments do not violate §302. This was our precise holding in *Arroyo* v. *United States*, 359 U. S. 419 (1959). The union official in that case, immediately upon receiving the employer's contributions to the trust fund, had begun diverting the funds to improper purposes. See *id.*, at 422. Indeed, "the evidence could properly support an inference that the [union official's] purpose *from the outset* was to appropriate the [contributions to the fund] for his own use." *Id.*, at 423 (emphasis added). Nevertheless, we held that the employer's payments were "within the precise language of §302(c)." *Ibid.* We deemed the payments to have been "held in trust for the purpose" of benefitting employees since they were made to a trust fund established for that purpose. See *id.*, at 421, 423. JUSTICE STEVENS

this kind can be found within the `penumbra of express statutory mandate' of Section 302." *Lugo* v. *Employees Retirement Fund of Illumination Products Industry*, 366 F. Supp. 99, 103 (EDNY 1973), quoted approvingly in *Alvares* v. *Erickson*, 514 F. 2d 156, 166 (CA9 1975), cert. denied, 423 U. S. 874 (1975). See also *Nedd* v. *United Mine Workers of America*, 556 F. 2d 190, 203 (CA3 1977), cert. denied, 434 U. S. 1013 (1978). A comparison of §302(e) with §301(a) shows that the analogy to *Lincoln Mills* is inapt. The latter provides a federal cause of action for any "violation of contracts between an employer and a labor organization." Subsection §302(e), by contrast, provides no cause of action for a "violation of the fiduciary duties imposed pursuant to an employee benefit trust fund"; rather, it allows federal courts to "restrain violations" of §302, which, as we have explained, occur when payments to a nonqualifying trust are made or received.

The text of §302 requires that, if payments are to be exempt from its prohibition, they must be "held in trust for the purpose of paying" employee benefits and the trust must be "established" for the sole and exclusive benefit of the employees. There is nothing to suggest that this had the ambitious purpose of establishing an entire body of federal trust law, rather than merely describing the character of the trust to which payments are allowed, leaving it to state law to determine when breaches of that trust have occurred and how they may be remedied. As observed by the court in *Moses* v. *Ammond*, *supra*, at 872, n. 14, §302(c)(5) is akin to a provision such as §401(a) of the Internal Revenue Code, 26 U. S. C. §401(a) (1988 ed. and Supp. III), which (in connection with 26

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criticizes us for relying on this "half" of *Arroyo* while disregarding the other "half," see, *post*, at 3, n. 1, but the "half" to which we adhere is holding, and the "half" we disregard, dictum.

U. S. C. §501 (1988 ed. and Supp. III)) provides a tax exemption for employer-created pension trust funds so long as, *inter alia*, they are "created . . . for the exclusive benefit of [the employer's] employees or their beneficiaries." No one would contend that that provision confers upon the federal courts authority to govern and enforce the trusts, and there is no more reason to reach such a conclusion here.

Respondents point to our statement in *Arroyo* v. *United States*, 359 U. S., at 426–427, that "[c]ontinuing compliance with [the standards of §302(c)(5)] in the administration of welfare funds was made explicitly enforceable in federal district courts by civil proceedings under §302(e)." See also *Robinson*, *supra*, at 573, n. 12 (referring to this passage). The statement is perhaps susceptible of the reading that "compliance" was "made . . . enforceable" by authorizing district courts to prohibit further payments to an entity that was not established, or does not hold its funds in trust, for the requisite purposes. But in any case, *Arroyo* was a criminal prosecution brought under §302(d), and the statement was therefore pure dictum.[4] Also dictum

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[4]While JUSTICE STEVENS does not dispute that this statement was dictum, he argues that "the *reasoning* that led us to [that] conclusion . . . is not so easily dismissed." *Post*, at 4 (emphasis added). We disagree. As one will see by reading the relevant passage from *Arroyo* (set forth in the concurrence, *post*, at 4–5), the "reasoning" consisted of leaping from the correct premise, that Congress limited the purposes for which exempt trust funds could be used, to the entirely unsupported conclusion, that §302(e) rather than state trust law was to be the means by which that limitation was enforced. It is an *ipse dixit*, rather than a reasoned conclusion—and, to boot, an *ipse dixit* contradicted by the very holding of the case in which it was pronounced. *Arroyo* held that

was our statement in *NLRB* v. *Amax Coal Co.*, 453 U. S. 322, 331 (1981), later quoted in *Robinson*, 455 U. S., at 570, that "the `sole purpose' of §302(c)(5) is to ensure that employee benefit trust funds `are legitimate trust funds, *used actually for the specified benefits to the employees of the employers who contribute to them* . . . .'" (Emphasis added.) This *obiter* quotation of a line from the floor debate on the LMRA cannot convert (1) a statutory statement of trust obligations that must exist to obtain an exemption into (2) a statutory authorization to enforce trust obligations.[5]

Consistently with the text of §302(c)(5), and the structure of §302 in general, we view the "sole and exclusive benefit" and "held in trust" provisions of that paragraph as neither creating nor imposing a federal trust law standard, but rather as simply

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malfeasance in the administration of trust funds did not create federal *criminal* liability under §302, and there is no basis in either text or reason why it should nonetheless create federal *civil* liability.

[5]JUSTICE STEVENS' concluding words are that our action today is "a radical departure from the doctrine of judicial restraint." *Post*, at 9. We have already refuted his claim that our ruling is reached uninvited and without benefit of argument. See, *supra*, at 7, n. 2. His lack-of-restraint criticism seems principally directed, however, at our "departure from [the] understanding" of §302(c)(5), *post*, at 9, reflected in the dicta of earlier cases—such as the excerpt that he quotes from *Mine Workers Health and Retirement Funds* v. *Robinson*, 455 U. S. 562, 573, n. 12 (1982) (STEVENS, J.), see *post*, at 8. This seems to us a topsy-turvy version of judicial restraint. It was, if anything, those dicta themselves—uninvited, unargued, and unnecessary to the Court's holdings—which insulted that virtue; and we would add injury to insult by according them precedential effect.

requiring a trust obligation for the specified purposes, defined and enforced originally under state law, see Restatement (Second) of Trusts §170(1) (1959), and now under ERISA.[6] Cf. *Amax Coal*, *supra*, at 329–330. Respondents do not deny that the Greater Funds are held subject to such a trust obligation. The fiduciaries of the Greater Funds are subject to the fiduciary obligations of ERISA, including the so-called exclusive benefit requirement of 29 U. S. C. §1104(a)(1)(i), and are liable under 29 U. S. C. §1109(a) to legal and equitable remedies for failure in those obligations. Since the Greater Funds are entities that qualify under §302(c)(5), equitable relief under §302(e) restraining future payments to them would not be appropriate.

In addition to the §302 claim, respondents' complaint asserted two ERISA claims, one based on ERISA's asset transfer rules, 29 U. S. C. §1414, and the other on ERISA's above-mentioned fiduciary duty provision, 29 U. S. C. §1104. The District Court ruled against respondents on both claims but, because of its ruling on §302, the Court of Appeals did not reach them. Neither do we and, on remand, the Court of Appeals will be free to consider them.

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The judgment of the Court of Appeals is reversed, and the case is remanded for proceedings consistent with this opinion.

It is so ordered.

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[6]Title 29 U. S. C. §1104(a)(1) (1988 ed. and Supp. III) provides: "[A] fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and—(A) for the exclusive purpose of: (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan."