NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

JOHN HANCOCK MUTUAL LIFE INSURANCE CO. *v.* HARRIS TRUST & SAVINGS BANK, AS TRUSTEE OF THE SPERRY MASTER RETIREMENT TRUST NO. 2

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

No. 92–1074. Argued October 12, 1993—Decided December 13, 1993

Petitioner John Hancock Mutual Life Insurance Company (Hancock) and respondent Harris Trust and Savings Bank (Harris), the current trustee of a corporation's retirement plan, are party to Group Annuity Contract No. 50 (GAC 50), an agreement of a type known as a ``participating group annuity.'' Under such a contract, the insurer commingles with its general corporate assets deposits received to secure retiree benefits, and does not immediately apply those deposits to the purchase of annuities. During the life of the contract, however, amounts credited to the deposit account may be converted into a stream of guaranteed benefits for individual retirees. Funds in excess of those that have been so converted are referred to as ``free funds.'' Dissatisfied over its inability to gain access to GAC 50's free funds, Harris filed this suit pursuant to, *inter alia,* the Employee Retirement Income Security Act of 1974 (ERISA), alleging that Hancock is managing ``plan assets,'' and therefore is subject to ERISA's fiduciary standards in its administration of GAC 50. Hancock responded that its undertaking fits within the ERISA provision, 29 U. S. C. §1101(b)(2)(B), that excludes from ``plan assets'' a ``guaranteed benefit policy,'' defined as an insurance policy or contract ``to the extent that [it] provides for benefits the amount of which is guaranteed by the insurer.'' The District Court granted Hancock summary judgment on the ERISA claims, holding that it was not a fiduciary with respect to any portion of GAC 50.

Reversing in part, the Court of Appeals held that the ``guaranteed benefit policy'' exclusion did not cover the GAC 50 free funds, as to which Hancock provides no guarantee of benefit payments or fixed rates of return.

Held: Because the GAC 50 free funds are ``plan assets,'' Hancock's actions in regard to their management and disposition must be judged against ERISA's fiduciary standards. Pp. 7–24.

(a) The import of the pertinent ERISA provisions, read as a whole and in light of the statute's broad purpose of protecting retirement benefits, is reasonably clear. In contrast to other ERISA provisions creating unqualified exemptions from the statute's reach, Congress specifically instructed, by the words of limitation it used in §1101(b)(2)(B), that the guaranteed benefit policy exclusion be closely contained: the deposits over which Hancock is exercising authority or control under GAC 50 must have been obtained ``solely'' by reason of the issuance of ``an insurance policy or contract'' that provides for benefits ``the amount of which is guaranteed,'' and even then the exemption applies only ``to the extent'' that GAC 50 provides for such benefits. Pp. 7–9.

(b) The Court rejects Hancock's contention that, because Congress reserved to the States primary responsibility for regulating the insurance industry, ERISA's requirement that a fiduciary act ``*solely* in the interest of . . . participants and beneficiaries and . . . for the *exclusive purpose* of . . . providing benefits,'' §1104(a)(1)(A)(i) (emphasis added), must yield to conflicting state-law requirements that an insurer managing general account assets consider the interest of, and maintain equity among, all of its contractholders, creditors, and shareholders. The McCarran-Ferguson Act—which provides, among other things, that no federal ``Act . . . shall be construed to . . . supersede any [state] law . . . enacted . . . for the purpose of regulating the business of insurance . . . unless such Act specifically relates to the business of insurance''—does not support Hancock's contention, since ERISA and the guaranteed benefit policy provision obviously and specifically ``relat[e] to the business of insurance.'' Moreover, although state laws concerning an insurer's management of general account assets ``regulat[e] insurance'' in the words of ERISA's saving clause—which instructs that ERISA ``shall not be construed to exempt . . . any person from any [state] law . . . which regulates insurance,'' §1144(b)(2)(A)—state laws regulating general accounts also can ``relate to [an] employee benefit plan'' under ERISA's encompassing preemption clause, which directs that the statute ``shall supersede any and all State laws insofar as they . . . relate to any employee benefit plan,'' §1144(a). There is no solid basis for believing that Congress, when it designed ERISA, intended fundamentally to alter traditional preemption analysis. Thus, ERISA leaves room for complementary or dual federal and state regulation, and calls for federal supremacy

when the two regimes cannot be harmonized or accommodated. Pp. 9–14.

(c) Hancock is an ERISA fiduciary with respect to the free funds it holds under GAC 50. To determine whether a contract qualifies as a guaranteed benefit policy, each component of the contract bears examination. A component fits within the guaranteed benefit policy exclusion only if it allocates investment risk to the insurer. Cf., *e.g., SEC* v. *United Benefit Life Ins. Co.,* 387 U. S. 202. Such an allocation is present when the insurer provides a genuine guarantee of an aggregate amount of benefits payable to retirement plan participants and their beneficiaries, as Hancock indisputably did with respect to certain GAC 50 benefits not at issue. As to a contract's free funds, the insurer must guarantee a reasonable rate of return on those funds and provide a mechanism to convert them into guaranteed benefits at rates set by the contract. While another contract, with a different set of features, might satisfy these requirements, GAC 50 does not; indeed, Hancock provided no real guarantee that benefits in any amount would be payable from the free funds. Pp. 14–20.

(d) The Court declines to follow the Labor Department's view that ERISA's fiduciary obligations do not apply in relation to assets held by an insurer in its general account under contracts like GAC 50. The 1975 interpretive bulletin assertedly expressing this view did not originally have the scope now attributed to it, since it expressly addressed only a question regarding the scope of the prohibited transaction rules, and did not mention or elaborate upon its applicability to the guaranteed benefit policy exemption or explain how an unqualified exclusion for an insurer's general asset account can be reconciled with Congress' choice of a more limited (``to the extent that'') formulation. Moreover, as of 1992, the Department apparently had no firm position to communicate, since it declined to file a brief in the Court of Appeals, citing the need to fully consider all of the implications of the issues. This Court will not accord deference to the Department's current view, since, by reading the statutory words ``to the extent'' to mean nothing more than ``if,'' the Department has exceeded the scope of available ambiguity. Pp. 20–24.

970 F. 2d 1138, affirmed.

GINSBURG, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and BLACKMUN, STEVENS, SCALIA, and SOUTER, JJ., joined. THOMAS, J., filed a dissenting opinion, in which O'CONNOR and KENNEDY, JJ., joined.