UNITED STATES DISTRICT COURT FOR THE DISTRICT OF CONNECTICUT

Jacobson v. John Hancock Mutual Life Insurance Co.

662 F. Supp. 1103 (D. Conn. 1987) · No. Civ. No. N-84-663 (PCD) · Decided June 23, 1987

SUMMARY

The court considers plaintiffs' motion for partial summary judgment on whether John Hancock was an ERISA fiduciary under a pension plan contract. It holds that funds in the insurer's general account remain plan assets, and that the insurer may be a fiduciary when investment performance affects benefits or when it exercises control over plan management and administration. The ruling rejects the insurer's argument that ERISA's guaranteed-benefit-policy provision shields the account from fiduciary treatment.

CASE DETAILS

COURT	United States District Court for the District of Connecticut
WRITING FOR THE COURT	Dorsey, District Judge
JURISDICTION	Connecticut
DECIDED	June 23, 1987
DOCKET	Civ. No. N-84-663 (PCD)
DISPOSITION	dismissed
PROCEDURAL POSTURE	Plaintiffs moved for partial summary judgment on whether John Hancock was an ERISA fiduciary with respect to assets contributed under the group annuity contract. The court granted the motion on March 17, 1987. On reconsideration, the court adhered to its ruling, but the parties subsequently settled; the court vacated the ruling and dismissed the action with prejudice by final judgment on consent.
STANDARD OF REVIEW	Summary judgment requires no genuine issue as to any material fact and entitlement to judgment as a matter of law. The moving party bears the burden of demonstrating the absence of a genuinely disputed material fact; ambiguities and reasonable inferences are resolved against the moving party, while conclusory or factually unsubstantiated allegations are insufficient to defeat a properly supported motion.
PRECEDENTIAL VALUE	vacated

PARTIES	Arnold Jacobson, et al., trustees of the International Brotherhood of Electrical Workers Local Union No. 90 Pension Fund v. The John Hancock Mutual Life Insurance Company

TOPICS

erisa · insurance · statutory interpretation · summary judgment · civil procedure

PRACTICE AREAS

ERISA · insurance · pension and employee benefits · civil procedure · statutory interpretation

QUESTIONS PRESENTED

1. Whether funds held under the group annuity contract and invested in John Hancock's general investment account constituted ERISA plan assets before being converted into a fixed guaranteed benefit obligation.
2. Whether John Hancock was an ERISA fiduciary because it managed and invested those fluctuating funds.
3. Whether John Hancock was an ERISA fiduciary because it exercised significant discretionary control over the management and administration of the pension plan.

HOLDINGS

1. Funds contributed under GAC 738 remained ERISA plan assets to the extent their value and the benefits payable were subject to fluctuation from John Hancock's investment performance; the guaranteed-benefit-policy safe harbor applied only to the portion of the contract involving fixed guaranteed benefits or returns.
2. An insurer that manages and invests plan assets subject to investment-performance risk is an ERISA fiduciary with respect to those assets.
3. John Hancock was an ERISA fiduciary because it exercised significant discretionary control over the plan's management and administration.

KEY QUOTATIONS

> *"Thus, whether Bulletin 75-2 should be viewed as a DOL opinion which has been misconstrued, or whether it represents an aberration in what has otherwise been a consistent DOL policy of construing contracts like GAC 738 to hold plan assets, the statute, legislative intent, and administrative interpretations yield the clear determination that GAC 738 should be treated as holding plan assets and that defendant, as the entity responsible, at least in part, for managing and investing those assets should be held to the standards of a fiduciary."* (662 F. Supp. at 1111)

> *"Rather, so long as the funds from a plan are not converted to a fixed, guaranteed obligation but remain subject to fluctuation resulting from the insurer's investment performance, the funds are plan assets for which the insurer must be held accountable as a fiduciary."* (662 F. Supp. at 1112)

FACTUAL BACKGROUND

The trustees of an IBEW Local 90 pension fund entered into Group Annuity Contract No. 738 with John Hancock in 1962. The contract was converted in 1973 from a Deposit Administration Contract to an Immediate Participation Guarantee Contract, under which contributions were pooled and invested in John Hancock's general investment account, while the liability of the fund was used to fund annuity benefits. The amount available to support unfixed benefits fluctuated with John Hancock's investment performance, and the trustees alleged that John Hancock improperly calculated and disclosed the amount returned when the contract was terminated.

PROCEDURAL HISTORY

Plaintiffs commenced the action in December 1984, and defendant answered in March 1985. Plaintiffs moved for partial summary judgment in July 1986. The court granted the motion determining that defendant was an ERISA fiduciary, later adhered to that ruling on reconsideration, and then vacated the order pursuant to the parties' settlement and dismissed all claims with prejudice on June 23, 1987.

DISPOSITION

dismissed

CASES CITED

- Schwabenbauer v. Board of Educ., 667 F.2d 305, 313 (2d Cir. 1981)
- American Int'l Group, Inc. v. London American Int'l Corp., 664 F.2d 348, 351 (2d Cir. 1981)
- Heyman v. Commerce & Indust. Ins. Co., 524 F.2d 1317, 1319-20 (2d Cir. 1975)
- Phoenix Savings & Loan, Inc. v. Aetna Cas. & Sur. Co., 381 F.2d 245, 249 (4th Cir. 1967)
- United States v. Diebold, Inc., 369 U.S. 654, 655 (1962) (per curiam)
- Quinn v. Syracuse Model Neighborhood Corp., 613 F.2d 438, 445 (2d Cir. 1980)
- Celotex Corp. v. Catrett, 106 S. Ct. 2548, 2552-53 (1986)
- Anderson v. Liberty Lobby, Inc., 106 S. Ct. 2505, 2514 (1986)
- First Nat'l Bank of Arizona v. Cities Serv. Co., 391 U.S. 253, 290 (1968)
- Caudle v. United Mine Workers of America, 523 F. Supp. 91, 95 (N.D. Ala. 1981)
- Peoria Union Stock Yards Co. v. Pennsylvania Mut. Life Ins. Co., 698 F.2d 320, 327 (7th Cir. 1983)
- Chicago Board Options Exchange, Inc. v. Connecticut General Life Ins. Co., 713 F.2d 254, 260 (7th Cir. 1983)
- Amato v. Western Union Int'l, Inc., 773 F.2d 1402, 1411-12 (2d Cir. 1985), cert. denied, 106 S. Ct. 1167 (1986)
- Central States, Southeast and Southwest Areas Pension Fund v. Central Transport, 472 U.S. 559, 105 S. Ct. 2833, 2841 (1985)
- Ed Miniat, Inc. v. Globe Life Ins. Group, 805 F.2d 732, 737 (7th Cir. 1986)
- Schulist v. Blue Cross of Iowa, 717 F.2d 1127, 1131-32 & n.4 (7th Cir. 1983)

- American Federation of Unions v. Equitable Life Assurance Soc., 647 F. Supp. 947, 953 (M.D. La. 1985)
- Blatt v. Marshall & Lassman, 812 F.2d 810, 812-13 (2d Cir. 1987)