SUPREME COURT OF THE UNITED STATES

Cunningham v. Cornell University

604 U.S. 693 (2025) · No. No. 23-1007 · Decided April 17, 2025

SUMMARY

The Supreme Court held that a plaintiff stating a claim under ERISA § 1106(a)(1)(C) need only plausibly allege the elements contained in that provision and need not plead that the exemptions in § 1108 do not apply. The Court concluded that § 1108 exemptions operate as affirmative defenses that defendants must plead and prove. The Court reversed and remanded the Second Circuit's decision in favor of Cornell University and other plan fiduciaries.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	Justice Sonia Sotomayor; Chief Justice John G. Roberts, Jr.; Justice Clarence Thomas; Justice Samuel A. Alito, Jr.; Justice Elena Kagan; Justice Neil M. Gorsuch; Justice Brett M. Kavanaugh; Justice Amy Coney Barrett; Justice Ketanji Brown Jackson
JURISDICTION	Supreme Court of the United States
DECIDED	April 17, 2025
DOCKET	No. 23-1007
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Petitioners sought Supreme Court review of the Second Circuit's affirmance of dismissal of their ERISA prohibited-transaction claim under Federal Rule of Civil Procedure 12(b)(6).
STANDARD OF REVIEW	Review of dismissal at the pleading stage under Federal Rule of Civil Procedure 12(b)(6); the Court assessed whether the complaint plausibly alleged the statutory elements of an ERISA prohibited transaction.
PRECEDENTIAL VALUE	binding
PARTIES	Cunningham et al. v. Cornell University et al.

TOPICS

erisa · employee benefits · statutory interpretation · pleadings · motions to dismiss

PRACTICE AREAS

ERSIA employee benefits statutory interpretation civil procedure

QUESTIONS PRESENTED

1. Whether a plaintiff asserting an ERISA prohibited-transaction claim under 29 U.S.C. § 1106(a)(1)(C) must plead and prove that the exemptions in § 1108, particularly § 1108(b)(2)(A), do not apply.
2. Whether the § 1108 exemptions are elements of a § 1106(a)(1)(C) claim or affirmative defenses that defendants must plead and prove.

HOLDINGS

1. To state a claim under 29 U.S.C. § 1106(a)(1)(C), a plaintiff need only plausibly allege that a fiduciary caused a plan to engage in a transaction, knew or should have known that the transaction involved furnishing goods, services, or facilities, and that the transaction was between the plan and a party in interest. The plaintiff need not plead that a § 1108 exemption does not apply.
2. The phrase '[e]xcept as provided in section 1108' in § 1106(a) does not incorporate the § 1108 exemptions as elements of every § 1106(a) claim.

KEY QUOTATIONS

> *"The Court holds that § 1108 sets out affirmative defenses, so it is defendant fiduciaries who bear the burden of pleading and proving that a § 1108 exemption applies to an otherwise prohibited transaction under § 1106."* (604 U.S. at 696)

> *"Section 1106(a)(1)(C)'s bar is categorical: Any transaction that satisfies its three elements is presumptively unlawful."* (604 U.S. at 700)

> *"The Court today holds that plaintiffs seeking to state a claim under § 1106(a)(1)(C) need plead only that a fiduciary engaged in a transaction proscribed therein, no more, no less."* (604 U.S. at 709)

FACTUAL BACKGROUND

Cornell administered two defined-contribution retirement plans in which current and former employees participated. In 2011, Cornell retained TIAA and Fidelity to provide investment options and recordkeeping services, compensating them from plan assets. Petitioners alleged that the plans paid substantially more than reasonable recordkeeping fees and sued the plan fiduciaries under ERISA § 1106(a)(1)(C).

PROCEDURAL HISTORY

Cornell employees sued Cornell and other plan fiduciaries, alleging that the fiduciaries caused two retirement plans to engage in prohibited transactions by paying TIAA and Fidelity allegedly excessive recordkeeping fees. The Southern District of New York dismissed the claim, reasoning that plaintiffs had not alleged self-dealing or other disloyal conduct. The Second Circuit affirmed on a different ground, holding that plaintiffs had to plead that the transaction was unnecessary or involved unreasonable compensation under the ERISA exemptions in 29 U.S.C. § 1108(b)(2)(A). The Supreme Court reversed and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The case was remanded to the Second Circuit for further proceedings consistent with the opinion, allowing the § 1106(a)(1)(C) claim to proceed under the holding that plaintiffs need not plead the inapplicability of § 1108 exemptions.

CASES CITED

- Central States, Southeast & Southwest Areas Pension Fund v. Central Transport, Inc., 472 U.S. 559, 570-571 (1985)
- Varity Corp. v. Howe, 516 U.S. 489, 496, 506 (1996)
- Harris Trust and Savings Bank v. Salomon Smith Barney Inc., 530 U.S. 238, 241-242, 252 (2000)
- Commissioner v. Keystone Consolidated Industries, Inc., 508 U.S. 152, 160 (1993)
- Tibble v. Edison International, 575 U.S. 523, 525 (2015)
- Meacham v. Knolls Atomic Power Laboratory, 554 U.S. 84, 87, 91, 95, 101-102 (2008)
- Taylor v. Sturgell, 553 U.S. 880, 907 (2008)
- Perry v. Merit Systems Protection Board, 582 U.S. 420, 435 n. 9 (2017)
- Braden v. Wal-Mart Stores, Inc., 588 F.3d 585, 600-602 (8th Cir. 2009)
- United States v. Cook, 17 Wall. 168, 173 (1872)
- United States v. Reese, 92 U.S. 214, 232 (1876)
- Dixon v. United States, 548 U.S. 1, 13 (2006)
- Yates v. United States, 574 U.S. 528, 540 (2015)
- Schaefer v. Weast, 546 U.S. 49, 56-57, 59-60 (2005)
- Cyan, Inc. v. Beaver County Employees' Retirement Fund, 583 U.S. 416, 428 (2018)
- NLRB v. Kentucky River Community Care, Inc., 532 U.S. 706, 711 (2001)
- United States v. Britton, 107 U.S. 655, 669-670 (1883)
- United States v. Vuitch, 402 U.S. 62, 67-68, 70 (1971)
- Crawford-El v. Britton, 523 U.S. 574, 597-598 (1998)
- Cole v. Carson, 935 F.3d 444, 446 (5th Cir. 2019)
- Thole v. U.S. Bank N.A., 590 U.S. 538, 544 (2020)
- Spokeo, Inc. v. Robins, 578 U.S. 330, 341 (2016)
- Dura Pharmaceuticals, Inc. v. Broudo, 544 U.S. 336, 347 (2005)