SUPREME COURT OF THE UNITED STATES

Syllabus

CONKRIGHT ET AL. *v.* FROMMERT ET AL.

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

No. 08–810. Argued January 20, 2010—Decided April 21, 2010

Petitioners are Xerox Corporation's pension plan (Plan) and the Plan's current and former administrators (Plan Administrator). Respondents are employees who left Xerox in the 1980's, received lump-sum distributions of retirement benefits earned up to that point, and were later rehired. To account for the past distributions when calculating respondents' current benefits, the Plan Administrator initially interpreted the Plan to call for an approach that has come to be known as the "phantom account" method. Respondents challenged that method in an action under the Employee Retirement Income Security Act of 1974 (ERISA). The District Court granted summary judgment for the Plan, but the Second Circuit vacated and remanded. It held that the Plan Administrator's interpretation was unreasonable and that respondents had not received adequate notice that the phantom account method would be used to calculate their benefits. On remand, the Plan Administrator proposed a new interpretation of the Plan that accounted for the time value of the money respondents had previously received. The District Court declined to apply a deferential standard to this interpretation, and adopted instead an approach proposed by respondents that did not account for the time value of money. Affirming in relevant part, the Second Circuit held that the District Court was correct not to apply a deferential standard on remand, and that the District Court's decision on the merits was not an abuse of discretion.

Held: The District Court should have applied a deferential standard of review to the Plan Administrator's interpretation of the Plan on remand. Pp. 4–15.

(a) This Court addressed the standard for reviewing the decisions of ERISA plan administrators in *Firestone Tire & Rubber Co.* v.

Bruch, 489 U. S. 101. *Firestone* looked to "principles of trust law" for guidance. *Id.*, at 111. Under trust law, the appropriate standard depends on the language of the instrument creating the trust. When a trust instrument gives the trustee "power to construe disputed or doubtful terms, . . . the trustee's interpretation will not be disturbed if reasonable." *Ibid.* Under *Firestone* and the Plan's terms, the Plan Administrator here would normally be entitled to deference when interpreting the Plan. The Court of Appeals, however, crafted an exception to *Firestone* deference, holding that a court need not apply a deferential standard when a plan administrator's previous construction of the same plan terms was found to violate ERISA. Pp. 4–5.

(b) The Second Circuit's "one-strike-and-you're-out" approach has no basis in *Firestone*, which set out a broad standard of deference with no suggestion that it was susceptible to ad hoc exceptions. This Court held in *Metropolitan Life Ins. Co.* v. *Glenn*, 554 U. S. ___, ___, that a plan administrator operating under a systemic conflict of interest is nonetheless still entitled to deferential review. In light of that ruling, it is difficult to see why a single honest mistake should require a different result. Nor is the Second Circuit's decision supported by the considerations on which *Firestone* and *Glenn* were based—the plan's terms, trust law principles, and ERISA's purposes. The Plan grants the Plan Administrator general interpretive authority without suggesting that the authority is limited to first efforts to construe the Plan. An exception to *Firestone* deference is also not required by trust law principles, which serve as a guide under ERISA but do not "tell the entire story." *Varity Corp.* v. *Howe*, 516 U. S. 489, 497. Trust law does not resolve the specific question whether courts may strip a plan administrator of *Firestone* deference after one good-faith mistake, but the guiding principles underlying ERISA do.

ERISA represents a " 'careful balancing' between ensuring fair and prompt enforcement of rights under a plan and the encouragement of the creation of such plans." *Aetna Health Inc.* v. *Davila*, 542 U. S. 200, 215. *Firestone* deference preserves this "careful balancing" and protects the statute's interests in efficiency, predictability, and uniformity. Respondents claim that deference is less important once a plan administrator's interpretation has been found unreasonable, but the interests in efficiency, predictability, and uniformity do not suddenly disappear simply because of a single honest mistake, as illustrated by this case. When the District Court declined to apply a deferential standard of review on remand, the court made the case more complicated than necessary. Respondents' approach threatens to interject additional issues into ERISA litigation that "would create further complexity, adding time and expense to a process that may already be too costly for many [seeking] redress." *Glenn, supra*, at ___.

This case also demonstrates the harm to predictability and uniformity that would result from stripping a plan administrator of *Firestone* deference. The District Court's interpretation does not account for the time value of money, but respondents' own actuarial expert testified that fairness required recognizing that principle. Respondents do not dispute that the District Court's approach would place them in a better position than employees who never left the company. If other courts construed the Plan to account for the time value of money, moreover, Xerox could be placed in an impossible situation in which the Plan is subject to different interpretations and obligations in different States. Pp. 5–13.

(c) Respondents claim that plan administrators will adopt unreasonable interpretations of their plans seriatim, receiving deference each time, thereby undermining the prompt resolution of benefit disputes, driving up litigation costs, and discouraging employees from challenging administrators' decisions. These concerns are overblown because there is no reason to think that deference would be required in the extreme circumstances that respondents foresee. Multiple erroneous interpretations of the same plan provision, even if issued in good faith, could support a finding that a plan administrator is too incompetent to exercise his discretion fairly, cutting short the rounds of costly litigation that respondents fear. Applying a deferential standard of review also does not mean that the plan administrator will always prevail on the merits. It means only that the plan administrator's interpretation "will not be disturbed if reasonable." *Firestone*, 489 U. S., at 111. The lower courts should have applied the standard established in *Firestone* and *Glenn*. Pp. 13–14.

535 F. 3d 111, reversed and remanded.

ROBERTS, C. J., delivered the opinion of the Court, in which SCALIA, KENNEDY, THOMAS, and ALITO, JJ., joined. BREYER, J., filed a dissenting opinion, in which STEVENS and GINSBURG, JJ., joined. SOTOMAYOR, J., took no part in the consideration or decision of the case.