

Publications

Class Action Lawsuits Target Fee Arrangements

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SERVICES

A new set of class-action lawsuits was filed in September and October 2006 against plan sponsors, and their officers, directors and employees, attacking investment-related fees paid to plan service providers. Specifically, the complaints target revenue-sharing arrangements between plans, mutual funds (and other investment providers), and plan service providers such as recordkeepers, trustees and third-party administrators (TPAs). Some of the cases also allege that plans suffered losses due to improper fee arrangements and the holding of excess cash in company stock funds. More such suits may be filed against plan sponsors in the coming months, and similar cases could eventually be brought directly against plan service providers.

In the attached article, we discuss some of the recent developments relating to plan fees and expenses, to help put the current litigation in context. We then provide an overview of the claims. Finally, we share a few observations about the questions that are at the heart of this litigation, and offer a few suggestions for plan sponsors to consider.

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