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Publications

Defined Benefit Plan Breach of Fiduciary Duties Under ERISA

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SERVICES

American Benefits Council filed an amicus brief in Harley, et al. v. 3M, (prepared by Groom Law Group) with the 8th Circuit. The issue at stake was whether an employer sponsoring a defined benefit plan breached its fiduciary duties under ERISA by failing to adequately investigate and monitor a $20 million investment of plan assets in a hedge fund and by failing to discover and remedy a prohibited transaction involving the fund advisor's compensation. The lower court found for the defendants, citing the fact that the defined benefit plan had a substantial surplus and thus no loss to the plan. The district court also rejected the prohibited transaction argument since there was no evidence that the fee paid to the advisor was unreasonable. The plaintiffs then appealed to 8th Circuit Court of Appeals.

Consistent with the Council's brief, the Circuit Court found for the defendants, reaffirming the decision on the prohibited transaction question and agreeing that there was no liability for breach of fiduciary duty for failure to monitor the investment. The Appeals Court concluded that the plaintiffs did not have standing to sue because the case involved a defined benefit plan and that any loss suffered was actually suffered by the plan sponsor since it bears the risk of loss, not by the participants and beneficiaries. In addition, any such loss had been eliminated by the contributions made by the plan sponsor. The Court noted that the plaintiffs had incurred no "injury in fact" or violation of a legally protected interest. In addition, ERISA's purpose is to protect the interests of the participants and beneficiaries and the plan had maintained a surplus throughout, thus it was clear that the plaintiffs interests had been protected.

"View the amicus brief
View the court's decision"

[Defined Benefit Link1 48KBDownload]

[Defined Benefit Link2 Decision 40KBDownload]