

Publications

Principal 401(k) Rollover Lawsuit – Court Denies Class Certification, Rejects Arguments that Principal Was a Fiduciary

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SERVICES

A federal district court recently denied class certification in a lawsuit relating to the rollover of funds from 401(k) plans nationwide for which Principal Life Insurance Company provided retirement services. *Walsh v. Principal Life Ins. Co.*, — F.Supp.2d. —, 2010 WL 1063738 (S.D. Iowa Mar. 24, 2010). In denying class certification, the court rejected many of the arguments that the plaintiff made in support of her claims that Principal Life and its affiliate, Princor Financial Services Corporation, were acting as ERISA fiduciaries in communicating with plan participants about the rollover of their 401(k) plan account balances into Principal Individual Retirement Accounts (“IRAs”). In addition to clarifying the duties of financial institutions that provide rollover services, the court’s decision may impact the ongoing 401(k) fee lawsuits in which the courts are considering similar issues regarding whether plan service providers qualify as ERISA fiduciaries and whether there are appropriate grounds to certify a class consisting of a service provider’s plan customers nationwide.

The attached memo summarizes the decision and our observations on the court’s ruling.