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Johns Hopkins University settlement with 403(b) participants

Johns Hopkins University has recently reached a 14 million dollar settlement with current and former employees for allegations around mismanaging retirement funds in their 403(b) plan. The University is accused of providing unreasonable compensation to multiple record keepers, offering too many investment selections, and keeping underperforming investment options in the plan menu with high-cost options. They are also charged with failing to solicit bids from other record keepers and failing to monitor and limit record-keeping expenses.

Johns Hopkins has not admitted any fault but will make changes in how they manage and administer their retirement plans going forward. The settlement avoids the expense and distraction of prolonged litigation. Going forward, an independent investment consultant is required to work with plan executives to issue requests for proposals from at least three record keepers. These record keepers must identify their fee policy as a total fixed fee per participant instead of a percentage of plan assets. Future record keepers will not be allowed to solicit plan participants to cross-sell products and services for individual retirement accounts, non-plan managed accounts, life or disability insurance, investment products, or wealth management services, unless initiated by the plan participant.

This settlement comes among other deals with Vanderbilt University, Duke University, University of Chicago, and Brown University initiated by the law firms of Schlichter, Bogard & Denton LLP and Brown, Goldstein & Levy LLP. Similar lawsuits include allegations against Northwestern University, Cornell University, Columbia University, the University of Southern California, New York University, Yale University, University of Pennsylvania, Emory University and Emory Healthcare, as well as the 401(k) plan of the Massachusetts Institute of Technology, who have had varying success. Lawsuits have failed or been dismissed in the cases against Northwestern, NYU, and Pennsylvania.

These settlements are a reminder to all defined contribution plan sponsors of the importance of following a prudent fiduciary process. Bolton Investment Consulting works with many plan sponsors of 403(b), 457, and 401(k) plans to help them document their fiduciary process and avoid these types of legal risks.

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