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TOPIC: Supreme Court Decides 401K Fiduciary Case

CITATION: ***Tibble et al. v. Edison International, et al***. , slip op No. 13-50, (U.S. Supreme Court, May 18, 2015).

SUMMARY: The U.S. Supreme Court held that fiduciaries of qualified retirement plans have a continuing duty to review the appropriateness of funds offered under the plan. Accordingly, the applicable Federal statute of limitations did not bar claims regarding the reasonableness of the fiduciary continuing to invest in funds added to the plan in prior years.

RELEVANCE: The AALU's members should be aware that ERISA plan fiduciaries will be held responsible to monitor the ongoing appropriateness of funds included in the plan and to remove investments or investment options that are inappropriate or imprudently expensive. In addition, higher-cost investment options are likely to be subject to judicial scrutiny when substantially equivalent lower-cost options are available.

FACTS: In 2007 several beneficiaries of the Edison 401(k) Savings Plan sued Edison and other fiduciaries under the Employee Income Retirement Security Act of 1974 ("ERISA"), alleging that they had breached their fiduciary duties by including six higher-cost retail class mutual funds as investment options for the plan, when materially identical, but significantly lower-cost, institutional class funds were available. Three of the higher cost funds were added to the plan in 1999 and three in 2002.

As to the funds added in 2002, the District Court had found that Edison had breached its fiduciary duty by failing to seek lower-cost institutional class funds. However, for the funds added to the plan in 1999, the District Court held that the claims were time-barred by the 6 year statute of limitations found in 29 U.S.C. § 1113.

The 9th Circuit Court of Appeals affirmed the District Court's finding.

The U.S. Supreme Court reversed, holding that, since fiduciaries have a continuing duty to monitor the appropriateness of fund investments, it is not dispositive that the funds were added to the plan more than six years before the lawsuit was filed. The Supreme Court remanded the case and directed the lower courts to review the facts and determine whether the fiduciaries here fulfilled their continuing obligation to monitor and remove any imprudent trust investments.

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