

Zelle Obtains Favorable Eighth Circuit Ruling Reviving ERISA Class Action

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A recent Eighth Circuit decision revives a class action against Principal Life Insurance Co., confirming that plaintiffs may challenge its rate-setting practices for a retirement product offered to 401(k) participants under federal ERISA law.

The lawsuit alleges that Principal set interest rates for its Principal Fixed Income Option (PFIO) investment product too low – keeping excessive compensation for itself to the detriment of individuals saving for retirement. The Eighth Circuit confirmed that Principal acts a fiduciary when setting PFIO rates because it unilaterally sets the rates and because the plans sponsoring the retirement plans containing the product are significantly impeded should they wish to exit the product.

Zelle LLP represents a class of participants in (and beneficiaries of) retirement plans who invested in the PFIO from November 14, 2014 to the time of trial. The class includes those investing in 401(k), 401(a) and 457 plans.

“We are pleased to be moving forward on behalf of over 41,000 class members,” said Chris Micheletti, a partner in the firm’s San Francisco office. “As alleged in the complaint, Principal makes billions of dollars annually from investment of assets held in its general account and has chosen to keep too high a margin for itself to the detriment of the class.”

“We believe that the conduct in this case is squarely of the type ERISA is designed to redress,” said Heather Rankie, an associate in Zelle’s San Francisco office.

The lawsuit is *Rozo v. Principal Life Insurance Co.*, No. 4:14-cv-00463-JAJ-CFB, in the District Court for the Southern District of Iowa.