

Education

Class-action lawsuit filed over Johns Hopkins University's retirement plan

By Carrie Wells
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A class-action lawsuit was filed Thursday against Johns Hopkins University on behalf of 24,000 faculty and staff members contending that the university's \$4.3 billion retirement plan charged excessive fees and offered poorly performing funds.

The St. Louis-based firm that filed the lawsuit, Schlichter Bogard & Denton, is known for taking legal action to push large corporations and nonprofit groups to offer better retirement plans. Last year, it won a unanimous Supreme Court verdict in a case involving the utility holding company Edison International. The firm also filed eight similar lawsuits this week against universities around the country, including the Massachusetts Institute of Technology, New York University, Yale University, Duke University and Vanderbilt University.

The lawsuit filed in U.S. District Court in Baltimore alleges that Hopkins violated its responsibility to employees by choosing plan funds that charged millions in excessive fees for record keeping and administrative and investment services. It also said the university offered duplicative investment options, some of which had historically underperformed.

"We contend that Johns Hopkins University has breached its fiduciary duties to protect the retirement assets of its employees and retirees," plaintiffs' attorney Jerry Schlichter said in a statement. "These university employees deserve the same right to build meaningful retirement assets as employees of for-profit companies."

University administrators said Hopkins employees are not being shortchanged by their retirement plans.

"Johns Hopkins University offers its employees a generous and carefully managed benefits program, including for retirement," according to a statement issued by the university. "We are in the process of reviewing the lawsuits that were filed this week against Johns Hopkins and several other major universities across the country."

The lawsuit seeks payment for "all losses resulting from each breach of fiduciary duty" and any other relief deemed appropriate. It contends that employees lost a combined \$35 million or more in the past six years in excessive fees.

According to the lawsuit, the university offered 440 different mutual funds or insurance company products to its employees through a 403(b) plan, the nonprofit version of the better-known 401(k) plan defined in federal tax code. Many of those options were duplicative and were “overwhelming” to employees, the suit states. The university also didn’t competitively bid for a financial services firm, which could have brought fees down, according to the lawsuit.

Schlichter has filed more than 20 lawsuits alleging that large corporations and nonprofit groups violated the Employee Retirement Income Security Act by allowing fund managers to charge excessive fees.

“There’s been more and more interest by employees in protecting their retirement assets,” Schlichter said. “We’ve gotten calls from a number of people, including people at these universities, that their assets weren’t being protected in the future.”

John Sullivan, editor of the 401(k) Specialist magazine, who profiled Schlichter earlier this year, described him as a “crusader” for fiduciary responsibility.

“Typically when you get class actions like this, the industry will circle the wagons,” Sullivan said. Instead, he said, “the financial services industry is cheering him on. A lot of people in the financial services industry feel this is long overdue. It’s kind of a natural outgrowth of some of the industry practices, and it was going to take something like this to clean up the industry.”

Karyl Leggio, a finance professor at Loyola University Maryland in Baltimore, said the law firm is trying to agitate for change in the industry.

“It’s not unlike an activist investor coming into a company and believing the CEO and leadership team isn’t managing the assets well, and they’re seeking change,” she said.

The lawsuit could be dismissed as frivolous, she said, but “there seem to be some points worth considering on Hopkins’ part.” She noted that the university had already reduced the number of financial services firms it used from five to three. One of the complaints in the lawsuit was that too many firms were being used.

— **Baltimore Sun**

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