

Aon Hewitt sued for 401(k) 'kickback' scheme with Financial Engines

The record keeper joins three others — Fidelity, Voya and Xerox — in being sued over its relationship with the advice provider

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Aon Hewitt is the latest retirement-plan record keeper to be sued for an alleged kickback scheme with 401(k) advice provider Financial Engines, following similar lawsuits filed recently against three other prominent record keepers.

A participant in the **\$2.5 billion** Caterpillar 401(k) Retirement Plan sued Aon Hewitt because of “covert kickback operations” that caused millions of dollars in losses for retirement savers through excessive fees being paid for Financial Engines' managed-account services, according to the lawsuit.

“The fee for those services was significantly higher than it should have been because the agreement between defendants and Financial Engines required Financial Engines to 'kickback' to defendant Hewitt a significant percentage of the fees charged by Financial Engines, even though Hewitt and its sister company co-defendants did not perform any investment advisory or other material services in exchange for the payment they received,” according to the complaint.

The plaintiff, Cheryl Scott, claims Aon Hewitt took a 20%-25% kickback from Financial Engines.

Aon Hewitt spokeswoman MacKenzie Lucas said the firm doesn't comment on litigation, but underscored that it has an “unwavering commitment to fee transparency.”

“Our model has always been and will continue to be fully transparent about all sources of revenue and fees we receive, so that plan sponsors and plan participants fully understand the cost of their plan,” Ms. Lucas said.

The lawsuit, Scott v. Aon Hewitt Financial Advisors et al, was filed Jan. 27 in Illinois district court.

Fidelity Investments, Voya Financial and Xerox HR Solutions **were also sued** within the past several months for their kickback schemes with Financial Engines. The advice provider hasn't been a defendant in any of the lawsuits filed to date.

"Financial Engines is not named in this lawsuit and is not in a position to comment on it or its merits," spokesman Mike Jurs said of the Aon suit.

Financial Engines, which serves roughly nine million participants across 700 companies, partners with **seven record keepers**, according to its website. Of those listed, T. Rowe Price, **Vanguard Group** and Mercer (whose record-keeping business **was bought** by Aegon, Transamerica's parent company, in 2015), haven't yet been sued.

Caterpillar's 401(k) plan was also in the news several years ago, as the company **reached a settlement** with plan participants, represented by Jerome Schlichter, for \$16.5 million in 2009 over alleged fiduciary breaches.