

JPMorgan sued for self-dealing in its 401(k) plan

Plan participant claims use of expensive proprietary funds cost employees millions in retirement savings

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[JPMorgan Chase & Co.](#) has been sued by a participant in its 401(k) plan for allegedly causing employees to pay millions of dollars in excessive fees through a scheme motivated by “self-interest.”

The plaintiff claims JPMorgan, as well as various board and committee members with oversight of the [\\$21 billion retirement plan](#), breached their fiduciary duties by, among other things, retaining proprietary mutual funds from the bank and affiliate companies for several years, despite the availability of nearly identical, lower-cost and better-performing funds.

The funds were “more expensive than necessary and not justified on the basis of their economic value to the plan,” according to the proposed class-action lawsuit, *Beach v. JPMorgan Chase Bank et al*, filed Wednesday in New York district court.

During the class period, 2010-15, roughly half of the investment options in the 401(k) were proprietary funds, according to the plaintiff, Terre Beach, who also claimed the bank maintained “lucrative business arrangements” with BlackRock Institutional Trust Co. that caused a “flooding of the plan” with BlackRock funds.

Additional allegations include the failure to adequately review investment options to ensure each was prudent in cost and performance; failing to offer commingled accounts, separate accounts or collective trust funds in place of mutual funds, despite their “far lower fees”; and failing to adequately monitor fiduciaries managing plan assets.

JPMorgan disagrees.

“We have received the complaint and are reviewing it. We disagree with the central allegations and look forward to defending the claim in court,” said Jennifer Lavoie, a spokeswoman for the firm.

The lawsuit is the most recent in a [string of class-action cases](#) brought against other financial services companies for self-dealing in their 401(k) plans, largely within the past year, including [Edward Jones](#), Morgan Stanley, Neuberger Berman, Franklin Templeton, [New York Life Insurance Co.](#) and American Century Investments.