

Bolton

Insight

MARCH 2019

PENSION LAWSUITS OVER ACTUARIAL EQUIVALENCE

Lawsuits have been recently filed against the pension plans for MetLife, American Airlines, Pepsico, and US Bankcorp. The lawsuits allege that each of these plans use unreasonable actuarial assumption for either reducing the benefit for early payment or converting the benefit to a Joint & Survivor option.

BACKGROUND

The lawsuits allege that since the mortality tables used to reduce the benefit for early retirement or convert the benefit to a J&S option were old (the tables in the cases above were from 1971 and 1984), that the participants' benefits were undervalued. The lawsuits are asking that benefits for current and future retirees be increased based on more current mortality tables, like the tables released by the Society of Actuaries in 2014.

While the basic argument of the plaintiffs make some amount of sense, there are many reasons why the plaintiffs will have challenges winning their cases.

EXPOSURE

Your exposure to these lawsuits may be based on the following factors;

- What actuarial assumptions does your plan use to determine actuarial equivalence and when was it determined?
- Does your plan provide for new benefit accruals (i.e. is it frozen or not)?
- How large is your plan?
- Does your plan mostly pay lump sum benefits?
- What actuarial assumptions does your plan use for relative value disclosures?

We can assist in evaluating your exposure to these lawsuits and steps you might want to take to document that you are meeting your fiduciary responsibilities.

If you would like additional advice on this issue, please contact Jim Ritchie at 443-573-3924.