



FOR IMMEDIATE RELEASE

EXCESSIVE 401(k) PLAN FEES LEAD TO LAW SUITS AND REDUCED SAVINGS FOR PARTICIPANTS

Chicago, November 2, 2006 -- Class action lawsuits were recently filed against the fiduciaries of several major corporations including Lockheed Martin, General Dynamics, United Technologies, Caterpillar, Exelon and Northrop Grumman. The complaints, which were filed in the United States District Court Northern District of Illinois (Case number: 06CV4900; 06CV4897), cite a long list of issues regarding the fees and expense structures of the defendants' retirement plans. Among other complaints, fiduciaries at the corporations cited are accused of:

- Charging fees and expenses to the Plans that were, or are, unreasonable and/or not incurred solely for the benefit of participants and beneficiaries of the Plans.
- Failing to inform themselves of, and understand the various methods by which vendors in the 401k retirement industry collect payments and other revenues from 401k plans.
- Failing to establish, implement, and follow procedures to properly and prudently determine whether the fees and expenses paid by the Plans were reasonable and incurred solely for the benefit of the participants and beneficiaries of the Plans.¹

This story is more subtle and powerful than the simple account of a lawsuit about excessively high mutual fund expense ratios. The cost of investments is part of a far larger story which involves little known pricing practices within the 401(k) industry, the extremely high profit margins of the large bundled providers and the loss of retirement income for millions of unsuspecting plan participants. An understanding of the broader context of the lawsuit **is essential for plan sponsors who wish to avoid similar lawsuits and want to reap the benefits of lower plan costs for their employees.**

¹ Exelon Corporation complaint, 11 September 2006, Michael W. Dobbins, Clerk, U.S. District Court, Northern District of Illinois.



At Blue Prairie Group*, we've been working with our clients on the issue of the complex world of 401(k) service provider economics ratios (a concept we call excess revenue) for a long time now. **It is a story that is largely unknown: The large bundled providers do not want to talk about it because it involves discussing their extremely rich profit margins, and many plan sponsors, unaware of their fiduciary responsibility regarding service provider pricing, have mistakenly assumed that exorbitant fees were not really their problem.**

We have extensive experience educating clients about excess revenue and have had considerable success in forcing lower plan costs. We are able to address and explain several facets of the issues involved including:

- How much money is at stake
- The implications of the law suits for CEOs, CFOs, HR Executives, and other plan fiduciaries
- The four steps to determine whether the fees plan participants are paying are fair
- The three things plan sponsors should do right now to make sure their plans are price competitively
- Which 401(k) record keepers are doing it right (i.e., charging reasonable and verifiable fees for their services)
- Which companies have successfully lowered total plan costs by negotiating excess revenue with their record keeper

For more information about this important and emerging story, please click on the links below to view a series of educational documents we have produced for plan sponsors. We have also included a link to the Exelon complaint.



- [Blue Prairie Group Excess Revenue “cheat sheet”](#)
- [Blue Prairie Group Excess Revenue pamphlet](#)
- [A copy of the Exelon complaint](#)
- [A case study which describes how we successfully negotiated on behalf of a client to return excess revenue generated by the plan back to the participants](#)

Blue Prairie Group is at the forefront of a new paradigm for driving down total plan costs. We demand full fee transparency from service providers and we use that information to negotiate more favorable terms for plan sponsors and their participants.

Matt Gnabasik, Managing Director of Blue Prairie Group, is immediately available to comment on this important issue. He can be reached by phone or e-mail.

Contact Information

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**ABOUT BLUE PRAIRIE GROUP: Blue Prairie Group is a full-service Investment and Human Resource consulting firm based in Chicago, Illinois. As one of the country’s leading institutional retirement e consulting firms, we have been working with our clients—many of whom are public companies and who wish to minimize the risk of fiduciary liability—to secure full fee transparency and the creation of long-term contracts that are designed to drive down the cost of the plan for the benefit of plan participants. For more information, please go to www.blueprairiegroup.com*