

## Principal Wins ERISA Appeal in General Account Fiduciary Case

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According to a recent Eighth Circuit Court of Appeals case, insurance companies that offer guaranteed interest rate products in their retirement platforms do not violate ERISA's fiduciary standards so long as such products are provided for reasonable compensation.

Insurance companies that offer investment platforms to retirement plans in connection with their recordkeeping services generally include guaranteed interest accounts backed by their general account. In an appeal of a district court's decision in *Rozo v. Principal Life Insurance Company*, certain plan participants (collectively, the "**Plaintiffs**") argued that the insurance company that was providing the plan recordkeeping services, Principal Life Insurance Company ("**Principal**"), engaged in prohibited fiduciary self-dealing by including a fixed income option because Principal failed to establish that the revenue generated for itself from the plan related to the fixed income option was reasonable.

The Court, in rejecting the Plaintiffs' arguments and ruling in favor of Principal, held that the district court did not err in finding that Principal's deductions of interest from the asset returns of its guaranteed interest rate product were reasonable and sufficiently balanced the risks and costs of offering the product to plan sponsors.

For insurance company recordkeepers that offer guaranteed interest rate options backed by their general account as a plan investment option and retain a portion of interest as compensation, this case confirms such products can continue to be offered in accordance with ERISA's fiduciary standards if provided in exchange for reasonable compensation and properly disclosed. Recordkeepers should ensure they can provide evidence that the compensation received in connection with these products is reasonable, and plan sponsors that offer these products in their plans should make sure they understand how these products work and what compensation is being paid to the recordkeepers in order to comply with their fiduciary duties.

The opinion in *Rozo v. Principal Life Insurance Company* is available [here](#).