

## Recent New York Times Article Highlights the Importance of Taking a Holistic Approach in Reviewing 401(k) Investment Options

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A recent *New York Times* article is a good reminder to plan fiduciaries charged with selecting funds for a retirement plan's investment lineup to review those funds on a holistic basis. According to the article (linked below), some ex-employees of Bed Bath & Beyond, which filed for bankruptcy protection earlier this year, incurred large losses to their 401(k) plan accounts when the 401(k) plan was terminated and liquidated in connection with the bankruptcy. According to the article, the employees had invested in what they believed was a low risk "guaranteed interest account," but when the 401(k) plan was liquidated in connection with its termination, their accounts incurred losses of about 10%.

Generally, guaranteed interest accounts are a type of insurance contract under which the insurer typically invests funds in a mix of bonds and pays a fixed rate of return for a certain period. According to the article, the losses incurred by the participants in the Bed Bath & Beyond 401(k) plan were due to "adjustments" that were made because the insurance contract was terminated early when the plan terminated. The article further explained that because the plan had to transfer money out of the guaranteed interest account in connection with its termination, the bonds that served as underlying investments in the guaranteed interest account had to be sold at a loss.

Plan fiduciaries must ensure that, in addition to reviewing funds' investment performance over different time periods and analyzing any fees charged by the funds, they consider the funds' liquidity and determine if there are any surrender fees, penalties, or adjustments to get out of the funds, either on a participant or plan level. A failure to conduct a more holistic review of a fund before adding it to the plan could result in unexpected fees and penalties later, and even worse, participant lawsuits.

A copy of the *New York Times* article is available [here](#).