

# American Century® Successfully Defends Management of Its Retirement Plan in Class-Action Suit



In recent years, employer-sponsored retirement plans – and those of asset managers in particular – have faced litigation over purported breaches of fiduciary duties. Several dozen such cases have been filed alleging everything from improper investment selection and oversight, to charges of excessive fees and, ultimately, failure to act prudently on behalf of plan participants resulting in harm to their retirement accounts. Nearly all the cases have been class-action suits which led to monetary settlements outside of court. However, when confronted with their own case in 2016, American Century Investments® vowed to defend itself against these claims. American Century pointed to its longstanding thoughtful oversight of a plan to help employees invest for the future with an array of investments choices, robust participant services and progressive plan design. The case went to trial in September 2018:

## **The court found in favor of the defense on all charges.**

Several anchors for the defense were noted in the ruling. Below are key elements of the American Century Retirement Committee's practices that were important in the decision.

**Experienced Committee Members.** Approximately one-third of American Century employees hold investment or securities credentials. Its plan committee has traditionally included both career investment and employee benefit professionals in addition to representatives from other disciplines. With ongoing fiduciary training, regularly-scheduled and documented meetings and readily available reference materials including the Investment Policy Statement (IPS), committee members demonstrated their individual and collective preparation and approach to discussions and decisions. Because of the expertise of the internal committee members, American Century does not have an outside fiduciary. The committee members clearly deliberated and executed their fiduciary duties without regard to their functional job responsibilities for the company.

**Understanding of the Employee Population.** Committee members possess distinct knowledge of the American Century employee base, regularly checking statistics on participant behavior from contribution rates to balances to investment choices. The committee was careful to minimize disruption to participants when making decisions around investments or plan design, evaluating the proper sequence to implement such changes. Further, the committee carefully considered the sophistication of the employee population – evident in both employees' credentials and in higher-than-industry average usage of features like brokerage accounts and Roth contributions – as well as reflecting employees in other areas.

**Multi-dimensional Investment Consideration Process.** The committee followed the plan's IPS and thoughtfully considered the investment line-up with respect to style boxes, risk-adjusted long-term performance, and portfolio management among other characteristics. The IPS gave committee members a framework with room for discretion given market conditions and their collective expertise and experience. The plan offered a wide selection of core options along with target-date investments and access to a self-directed brokerage account. Given the committee's investment knowledge and access to professional investors, members regularly met with portfolio managers in committee meetings to discuss approach and processes.

United States District Court for  
the Western District of Missouri,  
Western Division

STEVE WILDMAN, et al., Plaintiffs,  
vs.  
AMERICAN CENTURY  
SERVICES, LLC, et al., Defendants.

No. 4:16-CV-00737-DGK

Greg Kays, Chief Judge,  
United States District Court

FINDINGS OF FACT AND  
CONCLUSIONS OF LAW:  
January 23, 2019

FINAL JUDGMENT:  
February 6, 2019

The class period covered 2010-2016, following the most severe financial crisis since the Great Depression, and the committee felt strongly that active management played an important role in retirement investing. Fees were regularly evaluated for reasonability, and the plan utilized both collective investment trusts (CITs) when available and the lowest share classes of funds. Changes to vehicles and share classes were implemented as soon as administratively feasible. The court agreed that the committee members consistently demonstrated prudence in selecting and monitoring investments.

The outcome of the case demonstrated the importance and value of following a thoughtful process with a strong understanding of both the employee population and the fiduciary role.

### About the American Century Retirement Plan\*

Plan Assets .....	\$667.9 million
Total Participants.....	2,098
Active Participants .....	1,355
Average Deferral Rate .....	10.29%

\*as of 12/31/2018

*“The evidence shows the Committee thoroughly discussed the composition of the Plan’s lineup to ensure it covered the entire risk/reward spectrum without duplication,” wrote United States District Court Chief Judge Greg Kays in his decision. Judge Kays continued, “while the Plan offered a large number of investment options to participants, it was certainly not imprudent to do so given the sophisticated investor base of the Plan participants.”*

### Managing Money, Making An Impact

American Century Investments® is a leading asset manager focused on delivering investment results and building long-term client relationships while supporting research that can improve human health and save lives. It's how we and our clients together **Prosper With Purpose®**

Every day people are increasingly focused on investing to make the world a better place for themselves, their families, their organizations and the world at large. It is possible to live a more meaningful and impactful life and give back something that's more valuable than money.

When you invest with us, you can also invest in the future of others and have the potential to impact the lives of millions. That's possible because of the distinct relationship with the Stowers Institute for Medical Research, which owns more than 40% of American Century. Our dividend payments provide ongoing financial support for the Institute's work of uncovering the causes, treatments and prevention of life-threatening diseases, like cancer.

Together we can become a powerful force for good.

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