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## Principal PFIO Class Action Lawsuit

BENEFITS, WEALTH MANAGEMENT

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If you are a retirement plan sponsor utilizing Principal as your service provider, you may have seen that Principal was recently named as defendant in a class action lawsuit based on their Principal Fixed Income Guaranteed Option (aka PFIO).

In order to understand the facts of the lawsuit, it is important to first understand how the PFIO works. The crediting rate is set in advance based on a computation driven by the then underlying assets, and this crediting rate is typically better than the rate participants could receive in a money market. Principal might benefit from the spread by outperforming the crediting rate, but they also take the risk of underperforming the crediting rate and losing money. In the scenario where the investment underperforms, Principal, or any other Guaranteed or Fixed Account provider, could seek to recover the lost value by setting future crediting rates lower.

The lawsuit against Principal claims that Principal should be a fiduciary with respect to plans that utilize the PFIO because Principal sets the crediting rate and controls its underlying investments, therefore, Principal “controls” the fees.

While this lawsuit is specific to the PFIO, a ruling against Principal would have far-reaching effects on other Guaranteed and Fixed Account providers. As such, we are closely monitoring these proceedings and will provide updates accordingly. In the meantime, please be aware that Schneider Downs Wealth Management Advisors, LP (SDWMA) has the capability to review all cash equivalent options available to retirement plan sponsors, including Guaranteed Accounts, Fixed Accounts, and Stable Value alternatives.

If you have questions or would like to discuss your fiduciary responsibilities in more detail, please [contact a member of the SDWMA team](#) at 412-697-5200.

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