PUBLICATION

Stable Value Funds: The Latest Wave of Class Action ERISA Litigation

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Since the beginning of 2025, over two dozen putative class action lawsuits have been filed against retirement plan sponsors and their fiduciaries challenging the stable value funds offered in their plans. The complaints follow a common template. A participant alleges that the plan's stable value fund credited a lower rate of return than other products the fiduciaries could have selected, and asks the court to infer from that comparison that the fiduciary process in selecting and monitoring the fund was flawed.

In this article, we begin with an overview of stable value funds. We then assess the claims in the current wave of litigation, the arguments defendants have made in seeking dismissal, and the division among the circuit courts over the pleading standard applicable to these claims. We conclude with action items that plan fiduciaries should consider in order to mitigate the risk of being sued.

Background

A stable value fund is a capital preservation vehicle rather than a growth vehicle. Participants transact at book value—contributions plus accrued interest—and not at the market value of the underlying assets, so that day-to-day movement in bond prices does not reach a participant's account balance. That insulation is typically provided by a contract with an insurer, bank, or other financial institution, commonly called a "wrap," which guarantees redemption at book value. As the Eleventh Circuit observed in *Pizarro v. Home Depot (https://www.truckerhuss.com/wp-content/uploads/2026/08/Pizarro-v.-Home-Depot-Inc.-22-13643-2024-08-02.pdf)* the principal objective of a stable value contract is "capital preservation," meaning "delivering positive returns in every year" regardless of market conditions.

Participants receive a crediting rate, which the issuer declares in advance for a specified period—typically quarterly or semiannually—and which is generally subject to a contractual floor of zero. Behind that rate is an underlying portfolio consisting primarily of high-quality fixed income securities and other conservative investments. The issuer's income is the "spread," the difference between what the portfolio earns and the sum of the crediting rate and the issuer's expenses. If the portfolio yields 4.50 percent, the declared rate is 3.25 percent, and expenses are 0.40 percent, the issuer retains 0.85 percent. In exchange, it bears the risk that the portfolio underperforms the guarantee it has already made.

Additionally, the crediting rate is *smoothed*, meaning that gains and losses in the underlying portfolio are amortized over its duration instead of being passed through immediately, and the rate therefore lags market interest rates in both directions. When the Federal Reserve raised rates in 2022 and 2023, Treasury bills and money market funds repriced almost immediately, while stable value crediting rates rose slowly from portfolios holding older, lower-yielding bonds. The same lag protected participants when rates declined. Plaintiffs, however, focus on measuring the period during which they allege it ran against them.

Types of Stable Value Funds

The term "stable value fund" describes a category rather than a single product, and the structures within it differ materially. These funds generally take one of four forms:

1. a traditional or general account guaranteed investment contract (a "GIC"), in which the plan invests in the issuer's general account, the issuer declares the crediting rate, and the plan takes credit exposure to the issuer;
2. a separate account GIC, in which assets are segregated from the issuer's general creditors while still utilizing a single wrap provider;
3. a synthetic GIC, in which the plan or fund owns the bond portfolio and purchases wrap contracts from banks or insurers, with the crediting rate set by formula; and
4. a pooled collective investment trust, diversified across many contracts and wrap issuers, with an additional layer of fees.

Two products bearing the same label of "stable value fund" may therefore be materially different investments. The complaints rarely identify which of these structures the challenged fund actually uses—an omission that matters, because the comparators they offer are frequently drawn from different types of funds.

Plaintiffs' Claims

The typical complaint charts the challenged fund's annual crediting rates against a small group of purported comparator products over a putative class period beginning in early 2020. Plaintiffs allege that the fiduciaries should have anticipated the Federal Reserve's tightening cycle and moved the plan's assets. The complaints often plead breach of the duty of prudence against the investment committee, and a derivative claim for breach of the duty to monitor against the plan sponsor and its board. Plaintiffs usually concede that they have no actual knowledge of the committee's decision-making process, and ask the court to infer a flawed process from performance data alone. Some of these cases also assert prohibited transaction claims under ERISA §406(a), based on the issuer's retention of spread income and, where the issuer also serves as recordkeeper, its fees.

Notably, plaintiffs' theories cut both ways: in the past, fiduciaries have been sued for managing stable value funds too conservatively, as in *Ellis v. Fidelity Management Trust Co. (https://www.truckerhuss.com/wp-content/uploads/2026/08/Ellis-v.-Fidelity-Mgmt.-Tr.-Co.17-1693-2018-02-21.pdf)* and elsewhere for offering stable value products alleged to be too risky.

Defendants' Arguments

In moving to dismiss these complaints, defendants have made several arguments. First, ERISA's test of prudence is one of process, not results, and a fiduciary's decisions are judged on the information available at the time, without the benefit of hindsight. As the Ninth Circuit put it in *Anderson v. Intel Corp. Inv. Pol'y Comm. (https://www.truckerhuss.com/wp-content/uploads/2026/08/Anderson-v.-Intel-22-16268-2025-05-22.pdf)*, "ERISA requires prudence, not prescience." Second, the complaints generally plead no facts regarding the fiduciary process, and underperformance alone cannot substitute for those allegations. Third, the challenged funds did what they were designed to do: preserve principal and credit a positive return in every year of the class period. Fourth, defendants point to cases where courts have held that performance differences of one to three percent, measured over a short period of time, are insufficient to support an inference of imprudence in a plan intended to last for decades. Fifth, claims challenging the fund's initial selection are often barred by ERISA's six-year statute of repose. And, perhaps most significantly, defendants argue that plaintiffs' alleged comparators are not meaningful benchmarks and therefore cannot support a claim.

The prohibited transaction claims face independent obstacles. Defendants argue, among other things, that the collection of a contractually determined recordkeeping fee is not a "transaction" within the meaning of ERISA §406(a), and that assets underlying many stable value funds are not "plan assets" for purposes of the statute.

The "Meaningful Benchmark" Pleading Standard

Whether plaintiffs' fiduciary breach claims survive dismissal may turn largely on the "meaningful benchmark" pleading standard, an issue now pending before the United States Supreme Court in *Anderson*, set for oral argument on October 6, 2026.

Where a plaintiff asks a court to infer a flawed fiduciary process from relative performance, most courts require the plaintiff to plead that the comparator funds are meaningfully similar to the challenged investment, sharing the same aims, risks, and potential rewards. Absent such similarity, as the Eighth Circuit stated in *Davis v. Washington Univ. in St. Louis (https://www.truckerhuss.com/wp-content/uploads/2026/08/Davis-v.-Washington-Univ-18-3345-2020-05-22.pdf)*, the court is being asked to compare "apples and oranges."

The weight of appellate authority supports this requirement in some form. The Eighth Circuit has applied it in *Meiners v. Wells Fargo & Co. (https://www.truckerhuss.com/wp-content/uploads/2026/08/Meiners-v.-Wells-Fargo-17-2397-2018-08-03.pdf)*, *Davis* and *Matousek v. MidAmerican Energy Co. (https://www.truckerhuss.com/wp-content/uploads/2026/08/Matousek-v.-Mid-America-21-2749-2022-10-12.pdf)*; the Seventh Circuit in *Albert v. Oshkosh Corp. (https://www.truckerhuss.com/wp-content/uploads/2026/08/Albert-v.-Oshkosh.pdf)*; the Tenth Circuit in *Matney v. Barrick Gold of North America (https://www.truckerhuss.com/wp-content/uploads/2026/08/Matney-v.-Barrick-22-4045-2023-09-06.pdf)*; the Second Circuit in *Singh v. Deloitte LLP (https://www.truckerhuss.com/wp-content/uploads/2026/08/Singh-v.-Deloitte-23-1108-2024-12-10.pdf)*; and the Ninth Circuit in *Anderson*, which grounded the requirement in ERISA's text, reasoning that a standard of care measured by a prudent person "acting in a like capacity" in "an enterprise of a like character and with like aims" is inherently comparative. The Third Circuit, in *Sweda v. Univ. of Pennsylvania (https://www.truckerhuss.com/wp-content/uploads/2026/08/Sweda-v.-University-of-Pennsylvania-17-3244-2019-05-02.pdf)* and *Mator v. Wesco Distribution, Inc. (https://www.truckerhuss.com/wp-content/uploads/2026/08/Mator-v.-Wesco-22-2552-2024-05-16.pdf)*, applies a more holistic version, asking whether the complaint as a whole supplies a sound basis for comparison rather than requiring a precise match. Several circuits have not squarely addressed the issue, although district courts within them have largely adopted the standard.

By contrast, in a divided panel decision in *Johnson v. Parker-Hannifin Corp. (https://www.truckerhuss.com/wp-content/uploads/2026/08/Johnson-v.-Parker-Hannifan-24-3014-2024-11-20.pdf)*, the Sixth Circuit held that a plaintiff need not necessarily identify a meaningful benchmark, and instead may rely on a comparison to a better-performing fund supported by context-specific allegations about the fiduciaries' conduct. That holding may be difficult to reconcile with the same circuit's earlier decision in *Smith v. CommonSpirit Health* *(https://www.truckerhuss.com/wp-content/uploads/2026/08/Smith-v.-CommonSpirit-Health-21-5964-2022-06-21.pdf)*, which required that comparator funds share the challenged fund's strategies, risk profiles, and objectives. Rehearing en banc in *Johnson* was denied, and a certiorari petition remains pending.

Supreme Court Review

Anderson arises from the dismissal of claims that Intel's fiduciaries imprudently retained custom target date funds with significant hedge fund and private equity exposure. The Ninth Circuit affirmed, holding that the plaintiffs' comparators, equity-heavy retail funds and published target date indices, were not meaningfully comparable to investments designed to reduce correlation with the equity markets. The Supreme Court granted certiorari on January 16, 2026, and argument is set for October 6, 2026, with a decision expected by the end of June 2027. The United States Department of Labor filed an amicus brief in July 2026 supporting Intel and urging the Court to sustain the requirement, as have employer and plan sponsor trade groups.

The implications of *Anderson* for stable value litigation are potentially significant. The current complaints allege almost nothing about the structure of the comparator products, including who bears the credit risk, what the wrap contract covers, or what liquidity restrictions and fees apply. Should the Court affirm, many of these complaints would likely not survive dismissal in their present form.

Practical Considerations

While we wait for the Supreme Court's decision in *Anderson*, proactive plan fiduciaries may consider taking steps to reduce potential fiduciary risk, including:

- Identifying the type of stable value product the plan holds, and confirming that the committee understands who bears the credit risk, who sets the crediting rate, and what the wrap contract guarantees;
- Benchmarking the fund against structurally comparable products, and reviewing any benchmark specified in the investment policy statement and the fund's fact sheet, which plaintiffs may attempt to use to support their claims;
- Documenting the decision to retain the fund and the reasons for it, including the deliberate tradeoff of yield for principal protection and liquidity;
- Testing the market periodically, through a request for proposals or an advisor-led review, and documenting the analysis even where no change is made; and
- Reviewing the total cost of the arrangement, including the spread, and any affiliation between the issuer and the plan's recordkeeper.

If you would like further information regarding the status of stable value fund litigation and/or how to reduce the related fiduciary risk, please contact us.

