

Table of Contents

| | |
|--------------------------------|-----|
| About the Author | vii |
| Table of Chapters | ix |
| Preface | xxi |
| Acknowledgments | xxv |

Chapter 1 Overview of ERISA and Department of Labor

| | | |
|---------|--|------|
| § 1:1 | ERISA Overview | 1-1 |
| § 1:2 | ERISA Title I Enforcement Overview..... | 1-3 |
| § 1:2.1 | Civil Enforcement..... | 1-3 |
| § 1:2.2 | Criminal Enforcement | 1-9 |
| § 1:3 | Department of Labor Organization and Structure..... | 1-9 |
| § 1:3.1 | Employee Benefits Security Administration | 1-10 |
| § 1:3.2 | National and Regional Offices of the Solicitor | 1-12 |

Chapter 2 Regulations, Guidance, and Deference

| | | |
|-----------|--|-----|
| § 2:1 | Introduction | 2-2 |
| § 2:2 | Regulations and Guidance Interpreting ERISA | 2-3 |
| § 2:2.1 | Regulations | 2-3 |
| [A] | Fiduciary Responsibilities and Plan Assets..... | 2-3 |
| Table 2-1 | Regulations on Fiduciary Status, Responsibilities, Disclosure, and Compensation | 2-4 |
| Table 2-2 | Regulations on Plan Assets | 2-5 |
| [B] | Prohibited Transactions and Statutory Prohibited Transaction Exemptions | 2-5 |
| Table 2-3 | Regulations on Statutory Prohibited Transaction Exemptions..... | 2-6 |
| [C] | Employer Stock and Employer Real Property..... | 2-7 |
| Table 2-4 | Regulations on Employer Securities and Employer Real Property..... | 2-8 |
| [D] | Group Health Plans | 2-8 |

| | | |
|------------|--|------|
| Table 2-5 | Regulations on Group Health Plans..... | 2-9 |
| [E] | Multiple Employer Welfare Arrangements | 2-10 |
| Table 2-6 | Regulations on Cease-and-Desist and Summary Seizure Orders | 2-11 |
| [F] | Penalties, Administrative Procedures, Bonding, and Abandoned Plans | 2-11 |
| Table 2-7 | Regulations on Penalties | 2-11 |
| Table 2-8 | Regulations on Exemption Applications, Abandoned Plans, and Bonding Requirements..... | 2-12 |
| § 2:2.2 | Interpretive Bulletins | 2-12 |
| Table 2-9 | Part 2509: Interpretive Bulletins | 2-13 |
| § 2:2.3 | Administrative Prohibited Transaction Exemptions..... | 2-14 |
| [A] | Administrative Class Exemptions | 2-16 |
| Table 2-10 | Administrative Class Prohibited Transaction Exemptions..... | 2-16 |
| [B] | Procedure for Administrative Exemption Requests | 2-27 |
| § 2:2.4 | Advisory Opinions and Information Letters..... | 2-29 |
| [A] | Advisory Opinions | 2-30 |
| Table 2-11 | Advisory Opinions (2000–2018) | 2-30 |
| [B] | Information Letters..... | 2-60 |
| Table 2-12 | Recent Information Letters | 2-61 |
| [C] | Procedure for Advisory Opinion Requests and Information Letters..... | 2-63 |
| § 2:2.5 | Field Assistance Bulletins | 2-64 |
| § 2:2.6 | Technical Releases | 2-69 |
| § 2:3 | Deference to Regulations and Guidance | 2-71 |
| § 2:3.1 | <i>Chevron</i> Deference | 2-71 |
| § 2:3.2 | The <i>Skidmore</i> Standard | 2-73 |
| § 2:3.3 | <i>Auer</i> Deference | 2-75 |

Chapter 3 Enforcement Authority and Coordination

| | | |
|---------|---|-----|
| § 3:1 | Statutory Authority..... | 3-1 |
| § 3:1.1 | Civil Investigations..... | 3-2 |
| § 3:1.2 | Criminal Investigations | 3-3 |
| § 3:2 | Coordination with Other Agencies | 3-4 |
| § 3:2.1 | Department of Justice..... | 3-4 |
| § 3:2.2 | Internal Revenue Service..... | 3-4 |
| § 3:2.3 | Departments of the Treasury and Health and Human Services..... | 3-6 |
| § 3:2.4 | Securities and Exchange Commission | 3-7 |
| § 3:2.5 | Federal Financial Institution Regulatory Agencies | 3-7 |
| § 3:2.6 | Department of Labor Office of Inspector General..... | 3-8 |

Chapter 4 Enforcement Strategy and Conduct of Investigations

§ 4:1 Overview 4-1

§ 4:2 National Priorities and Projects 4-2

 § 4:2.1 Plan Investment Conflicts 4-3

 § 4:2.2 Employee Stock Ownership Plans 4-3

 § 4:2.3 Employee Contributions Initiative 4-4

 § 4:2.4 Contributory Plans Criminal Project 4-4

 § 4:2.5 Health Benefits Security Project 4-5

 § 4:2.6 Abandoned Plan Program 4-6

 § 4:2.7 Protecting Benefits Distribution 4-6

§ 4:3 Civil Investigations in General 4-7

 § 4:3.1 Sources of Investigations 4-8

 § 4:3.2 Subpoena Authority and On-Site Inspections 4-8

 § 4:3.3 Subpoena Enforcement 4-9

 § 4:3.4 Administrative Depositions and Informal Interviews 4-11

 § 4:3.5 Closing Letters and Voluntary Compliance 4-12

 [A] Closing Letters 4-12

 [B] Voluntary Compliance 4-13

 § 4:3.6 Litigation Referral 4-15

Chapter 5 Enforcement Programs and Investigations

§ 5:1 Enforcement Programs 5-1

§ 5:2 Civil ERISA Enforcement Results 5-3

§ 5:3 Program 47 Investigations of Prohibited Persons 5-4

§ 5:4 Program 52 Criminal Investigations 5-6

Chapter 6 Pension Plan Investigations, IRS Referrals, and FOIA

§ 6:1 Program 48 Fiduciary Investigations Related to Pension Plans 6-2

 § 6:1.1 Investigation Targets 6-3

 § 6:1.2 Financial Institutions and Service Providers 6-4

 § 6:1.3 Scope of Pension Plan Investigations 6-5

 § 6:1.4 Document Requests 6-7

 § 6:1.5 Interviews or Administrative Depositions 6-9

 § 6:1.6 Investigation Findings and Disposition 6-9

 [A] Financial Institutions Investigation:
 Invesco National Trust Company 6-10

 § 6:1.7 Referral for Litigation 6-11

| | | |
|---------|---|------|
| § 6:2 | Internal Revenue Service Referrals and Code Section 4975 Concerns..... | 6-12 |
| § 6:2.1 | Structure of Code Section 4975 | 6-12 |
| § 6:2.2 | Liability for Excise Tax Under Code Section 4975 | 6-16 |
| § 6:3 | Program 53 Limited Reviews of Pension Plans..... | 6-18 |
| § 6:4 | Parallel Criminal Investigations..... | 6-19 |
| § 6:5 | Gifts and Gratuities..... | 6-19 |
| § 6:6 | FOIA Considerations..... | 6-20 |
| § 6:6.1 | The Freedom of Information Act | 6-20 |
| § 6:6.2 | FOIA Exemptions | 6-21 |
| § 6:6.3 | FOIA Exemption 4 for Confidential Information | 6-22 |
| § 6:6.4 | Judicial Relief Under FOIA and “Reverse-FOIA” | 6-24 |

Chapter 7 Health Plan Investigations, ACA Enforcement, and MEWA Litigation

| | | |
|---------|---|------|
| § 7:1 | Overview of Health Plan Investigations Under Programs 48 and 50..... | 7-1 |
| § 7:2 | Fact Finding..... | 7-4 |
| § 7:2.1 | Document Requests..... | 7-4 |
| § 7:2.2 | Interviews or Administrative Depositions..... | 7-5 |
| § 7:3 | Corrective Actions and Settlements..... | 7-5 |
| § 7:4 | Affordable Care Act Enforcement | 7-8 |
| § 7:4.1 | ACA Enforcement Against Fiduciaries | 7-8 |
| § 7:4.2 | ACA Enforcement Against Third-Party Administrator | 7-10 |
| § 7:5 | Multiple Employer Welfare Arrangements and Cease-and-Desist and Summary Seizure Orders | 7-13 |
| § 7:5.1 | Administrative Cease-and-Desist Orders | 7-14 |
| § 7:5.2 | Administrative Summary Seizure Orders..... | 7-15 |
| § 7:5.3 | The Department’s Exercise of Authority Under Section 521 | 7-16 |
| [A] | Seeking Remedies Against AEU Under ERISA Sections 502(a)(2) and 502(a)(5) | 7-17 |
| [B] | The Department’s Cease-and-Desist Order Under Section 521(a)..... | 7-20 |
| § 7:5.4 | Other MEWA Litigation..... | 7-21 |
| § 7:6 | Association Health Plans..... | 7-23 |

Chapter 8 Department of Labor Litigation Under Section 510 and Investigations of Participants' Rights

§ 8:1 Program 43 Investigations of Participants' Rights 8-1

§ 8:2 Litigation Under ERISA Section 510..... 8-3

§ 8:3 The Department's Enforcement Cases Alleging Retaliation 8-4

 § 8:3.1 Establishing a Claim Under Section 510 8-5

 [A] Protected Activity..... 8-6

 [B] Adverse Employment Actions 8-7

 [C] Causation in Section 510 Actions..... 8-7

 [D] Section 510 and Fiduciary Breach Claims 8-9

 § 8:3.2 Remedies for Retaliatory Conduct..... 8-9

§ 8:4 "Inquiry or Proceeding" in Section 510 Cases..... 8-12

 § 8:4.1 Whether "Inquiry" Under Section 510 Requires a Formal, External Inquiry..... 8-13

 [A] *Nicolaou v. Horizon Media, Inc.* (Second Circuit) 8-13

 [B] *Edwards v. A.H. Cornell & Son, Inc.* (Third Circuit) 8-14

 [C] *Sexton v. Panel Processing, Inc.* (Sixth Circuit) 8-15

 [D] *George v. Junior Achievement* (Seventh Circuit) 8-16

 § 8:4.2 Whether an "Inquiry" Includes a Plan Audit 8-18

Chapter 9 Fiduciary Issues in Department of Labor Litigation

§ 9:1 Enforcement Authority Under ERISA 9-1

§ 9:2 Determining Fiduciary Status..... 9-3

 § 9:2.1 Named Fiduciaries, Trustees, and Plan Administrators..... 9-9

 § 9:2.2 Directed Trustees 9-10

 § 9:2.3 Functional Fiduciaries 9-13

 [A] Limits of Functional Fiduciary Responsibility 9-13

 [B] Functional Authority Over Plan Management or Plan Assets 9-16

 [B][1] Plan Management and Administration..... 9-17

 [B][2] Plan Assets and Investments..... 9-19

 [C] Failure to Exercise Discretion 9-20

§ 9:3 Issues Concerning Plan Assets 9-21

§ 9:4 Fiduciaries Who Are Investment Advisers 9-24

§ 9:5 Settlor, Nonfiduciary Conduct 9-27

**Chapter 10 Department of Labor Litigation Under ERISA
Section 404**

§ 10:1 Introduction 10-1

§ 10:2 Duty of Loyalty..... 10-2

 § 10:2.1 Permissible Benefits to the Fiduciary 10-3

 § 10:2.2 Acts That Benefit the Fiduciary at the Expense
 of Plan Participants..... 10-5

§ 10:3 Duty of Prudence..... 10-7

 § 10:3.1 Objective Prudence Standard 10-7

 § 10:3.2 Prudent Selection and Monitoring of
 Investment Options..... 10-11

 [A] Publicly Traded Employer Stock..... 10-11

 [B] Fiduciary Duty to Select and Monitor Plan
 Investments..... 10-14

 [C] Fiduciary Responsibility Under ERISA
 Section 404(c) 10-16

 § 10:3.3 Prudent Selection and Monitoring of Service
 Providers and Appointed Fiduciaries 10-17

 § 10:3.4 The Hypothetical Prudent Fiduciary..... 10-21

 § 10:3.5 Prudence in Pursuing Claims on Behalf of
 the Plan 10-22

§ 10:4 Duty to Diversify..... 10-23

§ 10:5 Duty to Act in Accordance with Plan
 Documents..... 10-26

Chapter 11 Prohibited Transactions and Exemptions

§ 11:1 Overview 11-2

§ 11:2 ERISA Section 406(a): Prohibited Transactions
 Between Fiduciaries and Parties in Interest..... 11-3

 § 11:2.1 “Transactions” Under Section 406(a)..... 11-4

 § 11:2.2 Direct, Indirect, and Alter Ego Transactions 11-7

 § 11:2.3 Section 406(a)(1)(A) 11-8

 § 11:2.4 Section 406(a)(1)(B) 11-10

 § 11:2.5 Section 406(a)(1)(C)..... 11-12

 § 11:2.6 Section 406(a)(1)(D)..... 11-12

§ 11:3 ERISA Section 406(b): Prohibitions on Fiduciary
 Self-Dealing..... 11-14

 § 11:3.1 Sections 406(b)(1) and 406(b)(3) 11-17

 [A] Respecting the Corporate Form..... 11-18

 [B] Control Over the Section 406(b)(3)
 Transaction..... 11-21

 § 11:3.2 Section 406(b)(2)..... 11-24

 § 11:3.3 Other Section 406(b) Issues 11-25

Table of Contents

| | | |
|------------|---|-------|
| § 11:4 | ERISA Section 408 Exempt Transactions..... | 11-27 |
| § 11:4.1 | Scope of Statutory Prohibited Transaction Exemptions..... | 11-29 |
| [A] | Statutory Exemptions | 11-29 |
| [B] | Advisory Opinions Concerning Section 408 Exemptions..... | 11-31 |
| Table 11-1 | Advisory Opinions Concerning Prohibited Transaction Exemptions | 11-31 |
| [C] | Regulatory Guidance Concerning the Scope of Section 408 Exemptions | 11-32 |
| Table 11-2 | Scope of Section 408 Exemptions in Regulatory Guidance | 11-33 |
| § 11:4.2 | Section 408(b) Statutory Exemptions..... | 11-35 |
| [A] | Exemption for Participant Loans: Section 408(b)(1)..... | 11-35 |
| [B] | Exemptions for Services or Office Space and Fiduciary Compensation: Sections 408(b)(2) and 408(c)(2)..... | 11-36 |
| [B][1] | Section 408(b)(2) | 11-36 |
| [B][2] | Section 408(c)(2) and Fiduciary Compensation and Expenses..... | 11-38 |
| [B][2][a] | Significance of Exemption from Section 406(b) | 11-41 |
| [B][2][b] | Direct Expenses Under Section 408(c)(2) | 11-44 |
| [B][3] | Required Disclosures for Pension Plans | 11-48 |
| [C] | Exemptions for Employer Stock and Employer Real Property: Sections 408(b)(3), 408(b)(12), and 408(e)..... | 11-50 |
| [D] | Sections 408(b)(4) Through 408(b)(13) | 11-51 |
| [D][1] | Deposit Accounts: Section 408(b)(4)..... | 11-51 |
| [D][2] | Insurance Companies: Section 408(b)(5) | 11-52 |
| [D][3] | Ancillary Bank Services: Section 408(b)(6) | 11-53 |
| [D][4] | Converting Securities: Section 408(b)(7)..... | 11-53 |
| [D][5] | Collective Trust or Pooled Investment Funds: Section 408(b)(8) | 11-54 |
| [D][6] | Plan Distributions: Section 408(b)(9) | 11-54 |
| [D][7] | Exemptions for Multiemployer Plans: Sections 408(b)(10) and 408(b)(11)..... | 11-54 |
| [D][8] | Excess Pension Plan Transfers: Section 408(b)(13) | 11-55 |
| [E] | 2006 Amendments: Sections 408(b)(14) Through 408(b)(20) and 408(g)..... | 11-55 |
| [E][1] | Investment Advice Arrangements: Sections 408(b)(14) and 408(g) | 11-55 |
| [E][2] | Block Trading: Section 408(b)(15)..... | 11-57 |

| | | |
|--------|--|-------|
| [E][3] | Electronic Trading Transactions: Section 408(b)(16) | 11-57 |
| [E][4] | Service Providers: Section 408(b)(17) | 11-57 |
| [E][5] | Foreign Exchange Transactions: Section 408(b)(18) | 11-58 |
| [E][6] | Cross Trading: Section 408(b)(19) | 11-58 |
| [E][7] | Self-Correction: Section 408(b)(20)..... | 11-59 |

Chapter 12 Department of Labor ESOP Litigation

| | | |
|----------|--|-------|
| § 12:1 | Introduction | 12-1 |
| § 12:2 | Fiduciary Duties and Adequate Consideration..... | 12-2 |
| § 12:2.1 | Adequate Consideration and Good Faith Determination of Value..... | 12-6 |
| [A] | Adequate Consideration Proposed Regulation..... | 12-6 |
| [B] | Revenue Ruling 59-60..... | 12-10 |
| § 12:2.2 | Impact of <i>Fifth Third Bancorp v. Dudenhoeffer</i> | 12-11 |
| § 12:3 | Fiduciary Good Faith and Reliance on Experts..... | 12-13 |
| § 12:4 | Indemnification Issues | 12-18 |
| § 12:5 | Settlements of ESOP Litigation and Consent Judgments | 12-22 |

Chapter 13 Co-Fiduciary and Nonfiduciary “Knowing Participation” Issues

| | | |
|----------|---|-------|
| § 13:1 | Co-Fiduciary Issues | 13-1 |
| § 13:1.1 | Knowing Participation or Knowing Concealment by a Fiduciary..... | 13-2 |
| § 13:1.2 | Knowledge of a Breach and Failure to Remedy by a Fiduciary | 13-5 |
| § 13:1.3 | Enabling Another Fiduciary to Commit a Breach..... | 13-6 |
| § 13:2 | Nonfiduciary “Knowing Participation” Issues | 13-8 |
| § 13:2.1 | Knowing Participation Under <i>Mertens v. Hewitt Associates</i> | 13-9 |
| § 13:2.2 | Knowing Participation Under <i>Harris Trust</i> | 13-13 |
| [A] | Knowing Participation Liability..... | 13-14 |
| [B] | Available Remedies | 13-18 |

Table of Contents

Chapter 14 Supreme Court and Appellate Amicus Curiae Litigation

§ 14:1 Role of the Plan Benefits Security Division 14-1
§ 14:2 Supreme Court Amicus Litigation 14-2
Table 14-1 Significant Supreme Court Merits Amicus Briefs, 2006–July 2019..... 14-2
§ 14:3 Appellate Amicus Litigation 14-9
Table 14-2 Significant Appellate Court Amicus Briefs, 2013–July 2019 14-9

Chapter 15 The Conflict of Interest Rule

§ 15:1 The Conflict of Interest Rule: Background..... 15-1
§ 15:2 Litigation Fallout 15-3
§ 15:3 The Conflict of Interest Rule’s Legacy 15-6

Appendix A Reorganization Plan No. 4 of 1978 App. A-1

Appendix B Executive Orders and Delegations of Authority.....App. B-1

Appendix C ERISA Strategic Enforcement Plan App. C-1

Appendix D Selected Pension Plan Investigation and Enforcement Documents.....App. D-1

Appendix E Selected Health Plan Investigation and Enforcement Documents.....App. E-1

Appendix F Administrative Cease and Desist OrderApp. F-1

Appendix G Department of Labor Amicus Briefs of Significance Under ERISA: 2000–2012.....App. G-1

Table of Cases..... T-1

Index..... I-1

