



Fiduciary Pension Partners

Supreme Court Lowers Bar for ERISA Lawsuits



A recent Supreme Court ruling has changed the rules of the game for retirement plan lawsuits — and it could make life more challenging for plan sponsors. On April 17, 2025, the Court issued a unanimous decision in *Cunningham v. Cornell University* that makes it easier for certain ERISA lawsuits to move forward, potentially leading to more cases, higher litigation costs, and increased settlement pressure.

At the heart of the case is the rule against “prohibited transactions” under the Employee Retirement Income Security Act of 1974 (ERISA). These are certain dealings between a retirement plan and “parties in interest,” such as service providers or the plan sponsor, that carry a high risk of conflicts of interest. They can include selling or leasing property to the plan, lending money, or providing goods and services. While these rules are strict, ERISA also allows for exemptions when the transaction is necessary for plan operations, the agreement is reasonable, and the compensation is no more than reasonable. These safeguards are designed to protect plan participants while allowing the plan to function effectively.

The *Cunningham* lawsuit centered on Cornell University’s 403(b) retirement plan. Plaintiffs alleged that plan fiduciaries caused the plan to overpay for recordkeeping services from TIAA and Fidelity. Lower courts dismissed the case because the plaintiffs had not addressed whether an exemption might apply. That decision was reversed on appeal, and the Supreme Court has now affirmed that plaintiffs are not required to address exemptions at the pleading stage. Instead, it is the responsibility of the defense to raise and prove them later in the process.

Although the dispute arose in the context of a 403(b) plan, the Court’s reasoning applies to all ERISA-covered plans, including 401(k) and defined benefit plans. The decision means more cases could advance beyond early dismissal and into costly discovery, increasing the likelihood of settlements even in cases where the facts may ultimately favor the defense.

This ruling reflects a broader legal trend in which courts are allowing more ERISA cases to move forward, particularly those involving service provider arrangements and fees. For plan sponsors, the message is clear: proactive oversight is essential. Regularly benchmarking plan fees, reviewing all forms of compensation, and documenting fiduciary decisions in detail can help demonstrate prudence and reduce risk.

In today’s environment, a strong and well-documented fiduciary process is not just best practice — it’s your strongest line of defense against costly and time-consuming litigation.

Source: Supreme Court Opinion in Cunningham v. Cornell University, April 17, 2025.