

# State Farm hit with excessive fees suit over target date funds

Plaintiffs accuse firm of receiving almost half of the management fees while a sub-adviser did most of the work

**By Mason Braswell** *Investment News, August 10, 2015 - 2:06 pm EST [subscription required]*

Two investors have filed a lawsuit against State Farm Investment Management Corp., alleging that the firm violated its fiduciary duty by charging excessive fees on its line of LifePath target date funds.

The investors, Amy Ingenhutt and Teresa Odell, who are seeking relief on behalf of all shareholders in the funds, claim that State Farm received around \$17.5 million, almost half of the management fees for the LifePath Funds, despite the fact that it did not provide a proportional share of services to the funds. The sub-adviser on the fund, Blackrock Inc., “provides virtually all of the investment advisory and portfolio management services,” according to the complaint.

“The amount of the management fee extracted and retained from the LifePath Funds by State Farm is so disproportionately large that it bears no reasonable relationship to the services rendered (if any) in exchange for that fee,” the complaint states. “It is difficult to determine what management services, if any, State Farm provides to the LifePath Funds, since virtually all the investment management functions of the LifePath Funds are delegated to Blackrock.”

The five LifePath target date funds had around \$6.25 billion in assets under management at the end of last year, according to the complaint, which cited the funds' 2015 annual report. Most of the fees carried a net management fee of 62 to 63 basis points, according to the complaint.

The suit also alleges that State Farm has benefited from “economies of scale” in that its fees have increased as the market performance has driven up assets under management, but that those benefits were not passed along to the shareholders.

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In May last year, Niels Holch, who is the executive director of the Coalition of Mutual Fund Investors, a shareholder advocacy group, said he was seeing a “plethora” of cases where fund companies were challenged on advisory fees after some cases made it beyond the motion-to-dismiss phase.