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Judge says PwC cash balance plan illegal

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PricewaterhouseCoopers LLP's cash balance plan violated ERISA by defining "normal retirement age" in terms of years of service rather than a specific age, according to a ruling last week by a judge in U.S. District Court in New York.

The New York-based accounting firm had set the normal retirement age at five years of service. But the court ruled that definition of retirement age for the retirement benefit accumulation plan was invalid under the Employee Retirement Income Security Act, setting the age of 65 as the normal retirement age under the plan. The lawsuit had charged that since ERISA pegs so-called backloading to the accrual rate at "the normal retirement age," a short normal retirement age permits employers to give inordinately high benefits to employees with longer tenure.

Judge Michael B. Mukasey dismissed several other key challenges to the RBAP plan in the suit, filed in 2005 by a group of former PwC employees. The plaintiffs had alleged the plan had failed to properly calculate lump sum payments and benefit accruals, and that it was age-discriminatory. The ruling was made Sept. 5.

PwC officials were pleased the court had dismissed three of the lawsuit's four claims, according to a statement. "We are, however, disappointed with the court's finding regarding the legality of the retirement age defined in the plan," the statement said. "PwC disagrees with that decision and continues to believe that our RBAP plan complies with ERISA. We will continue to defend this position as the litigation proceeds." David Nestor, spokesman at PwC, would not comment further.