IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

KATHLEEN ARECHIGA, KATHERINE M. MARTINEZ, MELANIE MATTHEWS, and EDVIN RUSIS, Individually and on Behalf of All Others Similarly Situated, on Behalf of the IBM 401 (K) PLAN,

Plaintiffs,

v.

INTERNATIONAL BUSINESS MACHINES CORPORATION, the Board of Directors of INTERNATIONAL BUSINESS MACHINES CORPORATION, and its members, the RETIREMENT PLANS COMMITTEE, and its members, and the IBM RETIREMENT FUNDS,

Defendants.

Case No.

CLASS ACTION COMPLAINT

TABLE OF CONTENTS

INTRODUCTION

Plaintiffs Kathleen Arechiga, Katherine M. Martinez, Melanie Matthews, and Edvin Rusis ("Plaintiffs"), individually, on behalf of the IBM 401 (K) Plan f/k/a the IBM 401(k) Plus Plan (the "Plan"), and as representatives of a class of participants and beneficiaries of the Plan, by and through their counsel, bring this Complaint for breach of fiduciary duties and other violations of the Employee Retirement Income Security Act of 1974 ("ERISA") against defendants International Business Machines Corporation ("IBM"), the Board of Directors of IBM and its members (the "IBM Board"), the Retirement Plans Committee and its members (the "Investment Committee"), and the IBM Retirement Funds (the "IBM Manager") (collectively, the "Defendants").

NATURE AND SUMMARY OF THE ACTION

1. This is a class action on behalf of the Plan, and a class of participants and beneficiaries of the Plan, against fiduciaries of the Plan arising from their breaches of fiduciary duties under ERISA.

2. ERISA requires fiduciaries of retirement plans to closely monitor investments, remove imprudent investments, and make investment decisions based solely in the interests of participants in retirement plans, and to refrain from prohibited transactions. *See* 29 U.S.C §§ 1104(a)(1), 1106. Courts have described these duties of loyalty and prudence as "'the highest known to the law.'" *La Scala v. Scrufari*, 479 F.3d 213, 215 (2d Cir. 2007) (quoting *Donovan v. Bierwirth*, 680 F.2d 263, 272 n.8 (2d Cir. 1982), cert. denied, 459 U.S. 1069, 103 S. Ct. 488, 74 L. Ed. 2d 631 (1982)).

3. Here, Plaintiffs bring this action under 29 U.S.C. § 1132(a)(2) and 1132(a)(3), alleging that Defendants—the Plan's fiduciaries—breached their duties by: (1) retaining underperforming investment options—(i) the IBM Target Retirement Fund Series (the "IBM TDF

Series"),[1] (ii) the IBM Target Risk Fund Series (the "IBM Risk Series"),[2] and (iii) the Vanguard Funds[3] (collectively, the "Subject Funds")—for the Plan between 2019 and 2025, despite more suitable target date funds ("TDFs"), target risk funds, mid-cap, large blend, and dividend growth funds having been readily available; (2) engaging in transactions prohibited by ERISA; and (3) failing to monitor the fiduciaries responsible for administration and management of the Plan's actions in retaining the imprudent IBM TDF Series, IBM Risk Series, and Vanguard Funds as investments for the Plan.

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[1] The IBM Target Retirement Fund Series is part of IBM's "ALL-in ONE LIFE CYCLE FUNDS" (the "IBM Life Cycle Suite"). The series consists of several "vintages" divided into five-year increments representing different "target dates" of anticipated retirement dates ranging from 2020 to 2065. This action concerns nine of the available vintages; specifically, the IBM 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, and 2060. Unless otherwise specified, the term "IBM TDF Series" as used herein refers to these nine specific vintages. Plaintiffs exclude the 2065 vintage as that fund is too new to include. Note, the vintages in the IBM TDF Series are not automatically concluded once the anticipated retirement date is reached. Rather, after that date is reached, the vintage continues for another ten years, until the "fund's allocation and risk profile matches" that of another IBM fund—the "Income Plus Fund." For example, the IBM 2020 TDF vintage will be "merged into the Income Plus Fund" by 2030. *See* https://workplaceservices.fidelity.com/static/dcl/shared/protected/IBM_30200_2_CLSF.pdf.

[2] The IBM Target Risk Fund Series is also part of the IBM Life Cycle Suite. It is comprised of four funds: (1) the "Income Plus Fund," (2) the "Conservative Risk Fund," (3) the "Moderate Risk Fund," and (4) the "Aggressive Risk Fund." This action concerns three of the available funds: the "Conservative Risk Fund," the "Moderate Risk Fund," and the "Aggressive Risk Fund." Unless otherwise specified, the term "IBM Risk Series" as used herein refers to these three specific funds. Plaintiffs exclude the "Income Plus Fund" as it represents a mix of older funds such that there are no straightforward comparisons available to serve as "meaningful benchmarks" as would be necessary to analyze its performance. For example, the Income Plus Fund is the fund that vintages in the IBM TDF Series are merged into ten years after the anticipated retirement date is reached. For example, the IBM 2020 TDF vintage will be "merged into the Income Plus Fund" by 2030.

[3] As used herein, the "Vanguard Funds" refers to the following three funds offered on "Expanded Choice – Mutual Funds" tier available on the Plan: (1) the Vanguard Mid-Cap Growth Fund—VMGRX (the "Vanguard Mid Growth Fund"); (2) the Vanguard PRIMECAP Core Fund—VPCCX (the "Vanguard Prime Core Fund"); and (3) the "Vanguard Dividend Growth Fund (the "Vanguard Div. Growth Fund").

4. Defendants' breaches and imprudent investment decisions have resulted in the loss of over $1.9 billion dollars of assets for the Plan and its participants.

5. The Plan is a defined contribution retirement plan under 29 U.S.C. § 1002(34) and is sponsored by IBM. As evidenced by their tax-deferred qualities, the primary purpose of the Plan is to allow participants to save for retirement.

6. Defendant IBM is the "sponsor" under 29 U.S.C. § 1002(16)(B) and a "named fiduciary" of the Plan. IBM acts through a Board of Directors.

7. The Investment Committee is one of the Plan's fiduciaries that designates the investment options available under the Plan. As part of that process, the Investment Committee selects a default option in which a participant's contributions are invested automatically unless the participant affirmatively elects to invest in a different investment option.

8. The IBM Board has designated and appointed the Investment Committee as responsible for administering the Plan and the "named fiduciary" with the full authority to control and manage the operation and administration of the Plan. The Investment Committee is responsible for appointment, retention, and removal of the Plan's trustees and investment managers who hold the assets or manage the investment of the funds in the Plan.

9. The Investment Committee has delegated several aspects of the day-to-day administration of the Plan to its appointed plan administrators. Specifically, the Investment Committee has appointed the following as "Plan Administrator" of the Plan: (i) "IBM VP, Health & Benefits"; (ii) "IBM Managing Director & Chief Investment Officer"; (iii) "Retirement Funds"; and (iv) "IBM Chief Accountant." The Investment Committee is a body appointed by IBM, and, as a body, performs certain designated fiduciary administrative functions under the Plan. The

Investment Committee is also an "investment advisor" of the IBM TDF Series and IBM Risk Series.

10. The IBM Manager is listed as the "Fund Manager" for each of the funds within the IBM TDF Series and IBM Risk Series.[4] Because the IBM Manager has been selected by the other Defendants to provide investment advice to the Plan's participants on how the Plan's assets should be invested and/or managed, it is an "investment manager" of the Plan as defined by 29 U.S.C. § 1002(38) and a functional fiduciary of the Plan pursuant to 29 U.S.C. § 1002(21)(A).

11. When designating the different investment options for inclusion in the Plan, Defendants were required to independently investigate and regularly monitor each of the Plan's investment options with the care and skill of a prudent investor. 29 U.S.C. § 1104(a)(1)(B).

12. Rather than acting diligently and prudently, Defendants breached their fiduciary duties by retaining the IBM TDF Series, IBM Risk Series, and Vanguard Funds as investment options for the Plan at the beginning of the "Class Period" (October 31, 2019 to the date of judgment) despite the IBM TDF Series, IBM Risk Series, and Vanguard Funds having underperformed their peer benchmarks on a trailing-three-years basis for up to nine consecutive years (2016-2024), a trailing-five-years basis for up to seven consecutive years (2018-2024), and a trailing-ten-years basis for at least two years (2023-2024), and on a cumulative basis. The IBM TDF Series, IBM Risk Series, and Vanguard Funds suffered from ongoing quantitative deficiencies resulting in massive underperformance relative to that of well-established, prudently managed, comparable funds that Defendants could have selected for the Plan.

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[4] *See, e.g.*, https://workplaceservices.fidelity.com/static/dcl/shared/protected/IBM_30200_2_CLSF.pdf (listing "IBM Retirement Funds and underlying fund managers" as the "Fund Manager" for the IBM Conservative Risk Fund).

13. Based on Defendants' conduct, Plaintiffs bring this action on behalf of the Plan, and as representatives of a class of participants and beneficiaries of the Plan, asserting claims for a breach of the fiduciary duty of prudence (Count One), for engaging in prohibited transactions and unlawful self-dealing with respect to the Plan in violation of ERISA (Count Two), and for failure to monitor fiduciaries (Count Three). In connection with these claims, Plaintiffs seek to recover all losses to the Plan resulting from Defendants' fiduciary breaches, all profits earned by Defendants in connection with Defendants' breaches, and other appropriate relief.

JURISDICTION AND VENUE

14. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331 and 29 U.S.C. § 1332(e)(1) because this action arises under 29 U.S.C. §1132(a).

15. This district is the proper venue for this action under 29 U.S.C. §1132(e)(2) and 28 U.S.C. §1391(b) because it is the district where the Plan is administered, at least one of the alleged breaches took place, and where Defendant IBM is headquartered.

THE PARTIES

I. Plaintiffs

16. Plaintiffs bring this suit individually, on behalf of the Plan, and on behalf of a class of participants and beneficiaries of the Plan affected by the challenged conduct of Defendants.

17. Plaintiff Kathleen Arechiga was employed as a Brand Sales Representative with IBM from 2011 through 2016. Arechiga was a participant in the Plan, as defined in 29 U.S.C. §1002(7), during the Class Period. Arechiga suffered individual injury by investing in the Plan's poorly performing Subject Funds. Arechiga is invested in the IBM 2020 TDF and IBM Aggressive Risk Fund.

18. Plaintiff Katherine M. Martinez was employed as an Executive Assistant, Managing Director of the Americas with IBM from August 2019 through May 2023. Martinez

was a participant in the Plan, as defined in 29 U.S.C. §1002(7), during the Class Period. Martinez suffered individual injury by investing in the Plan's poorly performing Subject Funds. Martinez is invested in the IBM 2040 TDF.

19. Plaintiff Melanie Matthews was employed as an Executive Assistant, Managing Director of the Americas with IBM from June 2018 through December 2018. Matthews was a participant in the Plan, as defined in 29 U.S.C. §1002(7), during the Class Period. Matthews suffered individual injury by investing in the Plan's poorly performing Subject Funds. Matthews is invested in the IBM 2040 TDF.

20. Plaintiff Edvin Rusis was employed as an Alliance Technical Services Manager with IBM from 2003 through 2018. Rusis was a participant in the Plan, as defined in 29 U.S.C. §1002(7), during the Class Period. Rusis suffered individual injury by investing in the Plan's poorly performing Subject Funds. Rusis is invested in the IBM 2030 TDF.

21. As detailed *infra*, the Plan has suffered over $1.9 billion in losses resulting from the fiduciary breaches at issue and remain vulnerable to continuing harm. As participants in the Plan, Plaintiffs have standing to bring claims in a representative capacity on behalf of the Plan pursuant to 29 U.S.C. §1132(a)(2), and on behalf of all holders of funds in the IBM TDF Series, IBM Risk Series, or Vanguard Funds because they suffered actual injuries to their accounts in which they held a number of funds from the Subject Funds during the Class Period and the alleged harms to holders of the other funds included in the IBM TDF Series, IBM Risk Series and/or Vanguard Funds can be traced to the same challenged conduct: the participants in the Plan suffered financial harm as a result of the Plan's imprudent investment options and the process Defendants used to monitor and retain the Subject Funds. This singular conduct with respect to the Plan harmed each of the holders of the specific funds included in the Subject Funds at issue in this action.

II. Defendants

22. Defendant IBM Company, a Delaware corporation headquartered in Armonk, New York, is a multinational technology and consulting company, and has been a pioneer in various technological advancements, including mainframe computers, cloud computing, and artificial intelligence. The company is known for its contributions to enterprise software, hardware, and IT services, serving clients globally across industries. IBM is the "sponsor" of the Plan and "named fiduciary" within the meaning of 29 U.S.C. § 1002(16)(B) and 29 U.S.C. § 1102(a). IBM acts through a Board of Directors.

23. IBM, through its Investment Committee, VP, Health & Benefits, Managing Director & Chief Investment Officer, Chief Accountant, and/or the IBM Manager, is also the "plan administrator," with general oversight responsibilities for the Plan. As plan administrator, IBM is a fiduciary. *See* 29 C.F.R. § 2509.75-8 at D-3. Additionally, as the "plan sponsor," "plan administrator," and the entity responsible for appointing and removing members of the Investment Committee, IBM had knowledge of the fiduciary breaches committed by the other Defendants, and did not make reasonable efforts under the circumstances to remedy those breaches.

24. Defendant the Board of Directors of IBM is a fiduciary of the Plan responsible for appointing and monitoring the Plan's fiduciaries.

25. Defendant the Retirement Plans Committee or, the Investment Committee, is responsible for designating the investment options available under the Plan. It is also a "named fiduciary" within the meaning of 29 U.S.C. § 1002(16)(B) and 29 U.S.C. § 1102(a). Current and former members of the Investment Committee are fiduciaries of the Plan under 29 U.S.C. § 1002(21)(A) because they exercised discretionary authority and/or discretionary control respecting management of the Plan. The Investment Committee has delegated day-to-day administration of

the Plan to IBM's VP, Health & Benefits, IBM's Managing Director & Chief Investment Officer, IBM's Chief Accountant, and the IBM Manager.

26. Defendant the IBM Retirement Funds or, the IBM Manager, is an investment advisor selected by the other IBM Defendants to provide investment advice to the Plan's participants on how the Plan's assets should be invested and managed.[5] The IBM Manager receives substantial direct and indirect compensation for providing investment advice and management services to the Plan's participants. The IBM Manager is also listed as the "Fund Manager" in the plan documents for each vintage of the IBM TDF Series and each fund within the IBM Risk Series. Accordingly, the IBM Manager is an "investment manager" of the Plan as defined by 29 U.S.C. § 1002(38) and a functional fiduciary of the Plan pursuant to 29 U.S.C. § 1002(21)(A).

SUBSTANTIVE ALLEGATIONS

I. The Plan

31. The Plan is defined contribution plan subject to the provisions of ERISA.

32. A "defined contribution" plan is a retirement plan in which an individual account is set up for each participant with benefits based upon the amount contributed to the participant's account (through employee contributions and, if applicable, employer contributions), and "any income, expenses, gains and losses." 29 U.S.C. § 1002(34).

33. The Plan is established and maintained under written documents as required by 29 U.S.C. § 1102(a).

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[5] *See, e.g.*, https://workplaceservices.fidelity.com/static/dcl/shared/protected/IBM_30200_2_CLSF.pdf (listing "IBM Retirement Funds and underlying fund managers" as the "Fund Manager" for the IBM Conservative Risk Fund).

34. Defendant IBM is the "sponsor" of the Plan within the meaning of 29 U.S.C. § 1002(16)(B).

35. The Plan pays expenses from the Plan's assets, and administrative expenses are paid by participants as a reduction of investment income.

36. Defendants—through IBM's Investment Committee, VP, Health & Benefits, Managing Director & Chief Investment Officer, Chief Accountant, and/or the IBM Manager—determined the appropriateness of the Plan's investment offerings and monitored investment performance.

37. Under the Plan, newly hired IBM employees are automatically enrolled in the Plan after approximately 30 days of employment.

38. The Plan is a participant-directed defined contribution plan, meaning participants may direct the investment of their contributions into various investment options offered by the Plan.

39. The Plan provides for retirement income for approximately 150,000 participants, comprised of IBM employees, former employees, and their beneficiaries.

40. At the choice and discretion of Defendants, various investment options were made available to the Plan's participants.

41. Poor investment performance can significantly impair the value of a participant's account. Fiduciary decisions have the potential to dramatically affect the amount of money participants can save for retirement.

42. In 2024, the Plan had approximately 156,865 participants and thus, had more participants than 99.8% of the defined contribution plans that filed form 5500 forms for the 2024 year.

43. In 2024, the Plan had approximately $60.3 billion in assets entrusted to the care of the Plan's fiduciaries. The Plan had more assets than 99.8% of the defined contribution plans that filed form 5500 forms for the 2024 year.

44. As of December 31, 2024, approximately $13.380 billion, or 22.19%, of the Plan's total assets, were invested in the IBM TDF Series or IBM Risk Series. The table below displays the approximate value of the assets invested in each of the IBM TDF Series vintages at issue:[6]

Fund Name	**Approximate Value**
IBM 2020 TDF	$296 million
IBM 2025 TDF	$908 million
IBM 2030 TDF	$1.337 billion
IBM 2035 TDF	$1.344 billion
IBM 2040 TDF	$1.077 billion
IBM 2045 TDF	$944 million
IBM 2050 TDF	$729 million
IBM 2055 TDF	$642 million
IBM 2060 TDF	$729 million
IBM Conservative Risk Fund	$997 million
IBM Moderate Risk Fund	$2.223 billion
IBM Aggressive Risk Fund	$1.7 billion
Vanguard Mid Growth Fund	$59.4 million
Vanguard Prime Core Fund	$120 million
Vanguard Div. Growth Fund	$275 million

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6 *See* IBM 401(k) Plan, *Index to the Fund Flyers Second Half of 2024*, available at https://cdn.sanity.io/files/o4w5shhb/production/b6c9fc20deb4df95fde2a50f2a78e09ef13368fd.pdf (the "2024 Plan Index"), at 6-22, 27-32.

II. Target Date Funds

45. "Target date funds" are a type of fund designed to achieve certain investment results based on an investor's anticipated retirement date.

46. A TDF is meant to offer a portfolio containing a "mix of stocks, bonds, and short-term reserves in your portfolio" that are "adjusted regularly to keep your asset allocation on track for retirement."[7] These adjustments are made automatically by shifting the allocation toward a more conservative allocation over time.

47. TDFs are meant to offer investors dynamic asset allocation that gradually shifts to a more conservative profile so as to minimize risk as time progresses. TDF's asset allocation generally shifts from stock funds to more bond funds over time. These shifts to allocation over time are referred to as a fund's "glide path." A TDF's "glide path" is usually a gradual shift in allocation from stock funds to bond funds. Typically, a TDF's equity exposure reaches its most conservative when the target retirement date is reached. However, each vintage within the IBM TDF Series continues for another ten years after the target retirement age date is reached and the "fund's allocation and risk profile matches" that of another IBM fund—the "Income Plus Fund." For example, the IBM 2020 TDF vintage will be "merged into the Income Plus Fund" by 2030.[8] Below is a chart prepared by Defendants providing a graphical representation of this glide path concept as it applies to the IBM TDF Series:[9]

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7 *See* IBM 401(k) Plus Plan, *Individual Fund Flyer - Conservative Fund*, available at https://workplaceservices.fidelity.com/static/dcl/shared/protected/IBM_30200_2_CLSF.pdf at 4.

8 *Id.*

9 *See* 2024 Plan Index, at 3.

48. In this example, equity exposure within an IBM TDF is 90% when the participant is 45-years from retirement and gradually decreases to approximately 40% ten-years after at retirement, and remains there in the years following.

49. An investment fund can be either passively or actively managed. Passive funds, such as "index funds," are meant to mirror the performance of an index. For example, a passive index fund pegged to the S&P 500 would hold securities of the same or similar type matching the composition of the S&P 500 index. In contrast, actively managed funds are meant to beat the market through superior investment selection and are comprised of individual stocks, bonds, and/or assets selected by a manager or investment advisor.

50. A manager of a TDF may choose to include actively managed funds and/or passive funds within the TDF itself. Regardless of whether a TDF includes passively managed investments, all TDFs are actively managed as managers make active decisions when designing a TDF's asset allocation over time. The vintages within the IBM TDF Series do not "buy securities directly"; instead, they invest in various other IBM 401(k) Plan funds. For example, the IBM 2020, 2025, and 2030 TDFs invest in "seven IBM 401(k) Plan funds: [1] the Inflation Protected Bond Fund, [2] the Total Bond Market Fund, [3] the High Yield & Emerging Markets Bond Fund,

[4] the Global Real Estate Stock Index Fund, [5] the Total Stock Market Index Fund, [6] the Total International Stock Market Index Fund, and [7] the Balanced Exposure Fund."[10]

III. Target Risk Funds

51. A target risk fund is a type of fund designed to achieve the highest total return consistent with an investor's chosen level of risk, *i.e.*, conservative, moderate, or aggressive. These funds are designed to apply to a particular investment style or life stage.

52. The IBM Risk Series is comprised of the IBM Conservative Risk Fund, IBM Moderate Risk Fund, and IBM Aggressive Risk Fund. These funds are described as follows: (i) Conservative: "seeks returns that moderately outpace inflation over the long term. Generally invested 40% in stock* investments and 60% in bond investments"; (ii) Moderate: "seeks relatively high returns at a moderate risk level. Generally invested 65% in stock* investments and 35% in bond investments"; and (iii) Aggressive: "seeks high returns over the long term, while assuming higher risk levels. Generally, invested 90% in stock investments and 10% in bond investments."[11]

53. Like the IBM TDF Series, the funds within the IBM Risk Series are also actively managed as its managers make active decisions when designing each fund's asset allocation and which of the other IBM funds to invest in over time.

54. However, unlike TDFs, a target risk fund remains at the "targeted risk" level for the life of the fund—e.g., a conservative risk fund's strategy remains conservative.

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[10] *See* 2024 Plan Index, at 6-22. The IBM 2035, 2040, and 2045 TDFs invest in six of these seven funds (the Inflation Protected Bond Fund is excluded). *Id.* Similarly, the IBM 2050, 2055, and 2060 TDFs invest in five of these seven funds (the Inflation Protected Bond Fund and the Balanced Exposure Fund are excluded. *Id.*

[11] *Id.*

55. A target risk fund's portfolio manager adjusts allocations based on their analysis of various market conditions, such as market trends and market conditions. Without such adjustments, all target risk funds would own identical investment portfolios and have virtually identical performance. Thus, careful investment selection and allocation drive superior investment performance and distinguish performing target risk funds from the underperforming ones.

IV. Defendants Breached Their Fiduciary Duties Under ERISA

A. Fiduciary Duties Under ERISA

1. Fiduciary Duties of Prudence and Loyalty

56. Under ERISA, in addition to named fiduciaries, any other persons who perform fiduciary functions are treated as fiduciaries. *See* 29 U.S.C. § 1002(21)(A); 29 U.S.C. § 1102(a)(1).

57. ERISA imposes strict fiduciary duties of prudence and loyalty upon retirement plan fiduciaries. 29 U.S.C. § 1104(a). These duties apply to all fiduciary acts, including the Defendants' retention of investment options for the Plan. ERISA's duty of prudence requires fiduciaries to discharge their responsibilities "with the care, skill, prudence, and diligence" that a prudent person "acting in a like capacity and familiar with such matters would use." 29 U.S.C. §1104(a)(1)(B).

58. Importantly, the fact that participants may direct the investment of their contributions in a defined contribution plan account "does not serve to relieve a fiduciary from its duty to prudently select and monitor any . . . designated investment alternative offered under the plan." 29 C.F.R. § 2550.404c-1(d)(2)(iv).

59. Fiduciaries have "the continuing duty to monitor [Plan] investments and remove imprudent ones" that exist "separate and apart from the [fiduciaries'] duty to exercise prudence in

selecting investments." *Tibble v. Edison Int'l*, 575 U.S. 523, 529 (2015). Prudence requires a review at "regular intervals." *Id.*

60. "A plaintiff may allege that a fiduciary breached the duty of prudence by failing to properly monitor investments and remove imprudent ones." *Id.* at 530. If "fiduciaries fail to remove an imprudent investment from the plan within a reasonable time, they breach their duty." *Hughes v. Nw. Univ.*, 595 U.S. 170, 176 (2022) (citing *Tibble*, 575 U.S. at 529-30).

61. When considering whether to retain certain target date, target risk, or mid-cap growth funds as investment options in a plan, a prudent fiduciary would evaluate the entire universe of TDFs, target risk funds, and mid-cap growth funds available based on qualitative and quantitative metrics, such as trailing 3, 5 and 10-year performance relative peer benchmarks.

2. Prohibited Transactions Under ERISA

62. "Section 1106 [of ERISA] further 'supplements the fiduciary's general duty of loyalty to the plan's beneficiaries . . . by categorically barring certain transactions deemed 'likely to injure the pension plan.'" *Cunningham v. Cornell Univ.*, 604 U.S. 693, 697 (2025) (quoting *Harris Tr. & Sav. Bank v. Salomon Smith Barney Inc.*, 530 U.S. 238, 241-42 (2000)). Section 1106(a) bars a fiduciary from, *inter alia*, "'caus[ing] the plan to engage in a transaction, if he knows or should know that such transaction constitutes a direct or indirect . . . furnishing of goods, services, or facilities between the plan and a party in interest.'" *Id.* (quoting 29 U.S.C. § 1106(a)(1)(C)).

63. A "party in interest" is defined to "include various plan insiders, including the plan's administrator, sponsor, and its officers, as well as entities 'providing services to [the] plan.'" *Id.* (quoting 29 U.S.C. § 1002(14)).

64. Section 1106(b) further bars certain transactions between a fiduciary and a plan: "A fiduciary with respect to a plan shall not—(1) deal with the assets of the plan in his own interest

or for his own account; (2) in his individual or in any other capacity act in any transaction involving the plan on behalf of a party (or represent a party) whose interests are adverse to the interests of the plan or the interests of its participants or beneficiaries, or (3) receive any consideration for his own personal account from any party dealing with such plan in connection with a transaction involving the assets of the plan." 29 U.S.C. § 1106(b).

3. Fiduciary Liability Under ERISA

65. Under 29 U.S.C. § 1109, fiduciaries to the Plan are personally liable to make good to the Plan any harm caused by their breaches of fiduciary duty. Section 1109(a) provides in relevant part:

> Any person who is a fiduciary with respect to a plan who breaches any of the responsibilities, obligations, or duties imposed upon fiduciaries by this subchapter shall be personally liable to make good to such plan any losses to the plan resulting from each such breach, and to restore to such plan any profits of such fiduciary which have been made through use of assets of the plan by the fiduciary, and shall be subject to such other equitable or remedial relief as the court may deem appropriate, including removal of such fiduciary.

4. Co-fiduciary Liability

66. ERISA also imposes co-fiduciary liability where a plan fiduciary knowingly participates in, or knowingly fails to cure, a breach by another fiduciary. Specifically, under 29 U.S.C. § 1105(a), a fiduciary shall be liable for a breach of fiduciary duty of another fiduciary if:

> 1. he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach;
> 2. if, by his failure to comply with section 1104(a)(1) of this title in the administration of his specific responsibilities which give rise to his status as a fiduciary, he has enabled such other fiduciary to commit a breach; or
> 3. if he has knowledge of a breach by such other fiduciary, unless he makes reasonable efforts under the circumstances to remedy the breach.

B. The IBM TDF Series Consistently Underperformed as Compared to Meaningful Benchmarks

67. The IBM TDF Series has been part of the Plan since at least 2008.

68. The IBM TDF Series contain funds divided into five-year increments representing different "target dates" of anticipated retirement dates ranging from 2020 to 2065.

69. TDFs are generally packaged as a suite or single family—meaning, plans generally cannot select different vintages of TDFs from different managers. Defendants selected the IBM TDF Series as a single family, or suite, of TDFs, resulting in the simultaneous inclusion of all the vintages of the IBM TDF Series on the Plan.

70. The IBM TDF Series are the primary and default target date options on the Plan. The Plan offers an option to expand the Plan's investment options to include approximately 150 additional mutual funds. Participants must affirmatively elect to sign up for the "Expanded Choice – Mutual Funds" tier for these options to be available. Under the expanded tier, the Plan offers two additional TDF suites—specifically, the Fidelity Freedom and Vanguard Institutional Target Retirement series.

71. The IBM TDF Series are advised by the Investment Committee and the IBM Manager.

72. According to Defendants, each of the vintages in the IBM TDF Series "offer a simple, one-stop approach to retirement investing" and "your contributions are invested in a broad spectrum of stocks, bonds and other investments."[12] Defendants also represent that each vintage

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[12] *See* IBM 401(k) Plan Summary Plan Description, *available at* https://cdn.sanity.io/files/o4w5shhb/production/315ec8eab457b1f744a2ac62313aad34f90902a8.pdf (the "Plan SPD"), at 26.

within the series is "assigned a different date – and, generally, a corresponding different investment allocation that becomes more conservative as the target date approaches."[13]

73. After an IBM TDF reaches the "target date," the vintage continues for another ten years, until the "fund's allocation and risk profile matches" that of another IBM fund—the "Income Plus Fund."[14] For example, the IBM 2020 TDF vintage will be "merged into the Income Plus Fund" by 2030.[15] That said, as noted, a TDF's allocation of assets and even its glide path is not static—because TDFs are actively managed funds, it is expected that a TDF's portfolio manager will readjust allocation and investment strategies in response to market trends, outlook and evolving analyses.

74. Newly hired IBM employees are automatically enrolled in the Plan at "5 percent of eligible salary and performance pay after approximately 30 days of employment with IBM, unless they elect otherwise."[16] After enrollment, if a participant does not "make an investment election, then contributions will be invested in the default Target Retirement fund that most closely corresponds to the year in which they will reach age 65."[17]

75. Based on publicly available documents, as of December 31, 2024, the Plan invested at least $8.416 billion in the IBM TDF Series.

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13 *Id.*

14 *See, e.g.*, https://workplaceservices.fidelity.com/static/dcl/shared/protected/IBM_30200_2_CLSF.pdf.

15 *Id.*

16 https://efast2-filings-public.s3.amazonaws.com/prd/2024/07/13/20240713053616NAL0010553539001.pdf (2023 Form 5500), at 61.

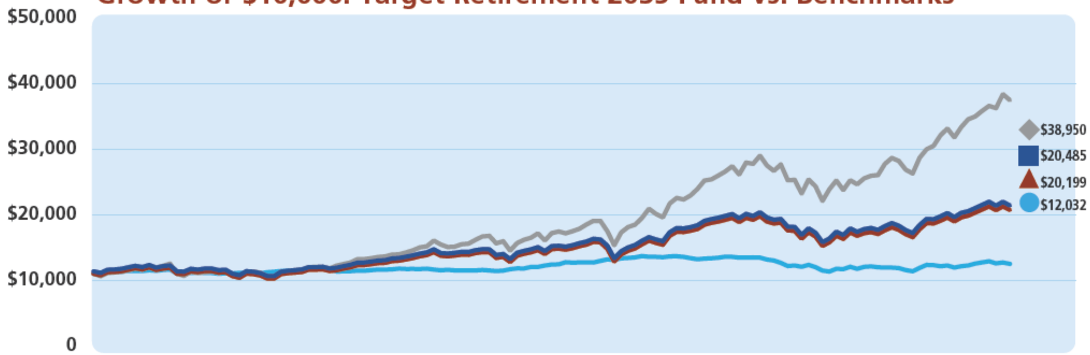
17 *Id.*

1. Defendants’ “Custom Benchmarks” Used to Analyze the Performance of the IBM TDF Series Are Insufficient

76. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF’s risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics.

77. IBM utilized a custom IBM benchmark to analyze the performance of the IBM TDF Series. For example, the benchmark for the IBM TDF 2035 vintage is named, “Target Retirement 2035 Composite Index.”[18] Following is a chart from one of IBM’s prospectus documents demonstrating the relative performance of that benchmark to the IBM TDF 2035 vintage:

Growth of $10,000: Target Retirement 2035 Fund vs. Benchmarks



Calendar Year Performance % Return	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Target Retirement 2035 Fund	6.85	-2.18	9.53	16.63	-6.65	22.33	12.58	13.76	-17.38	14.90	10.81
Target Retirement 2035 Composite Index	6.96	-2.14	9.32	16.41	-6.90	22.19	11.86	13.75	-17.59	14.73	10.73
Standard & Poor’s 500 Index	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29	25.02
Bloomberg US Aggregate Bond Index	5.97	0.55	2.65	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25

78. IBM represents these custom “benchmarks” as a “hypothetical combination of unmanaged indices reflecting the fund’s target asset allocation”[19]—meaning, the benchmark mirrors the overall strategy of the vintages in the IBM TDF Series. Stated otherwise, at best, these

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18 2024 Plan Index, at 11.

19 *Id.*

"benchmarks" merely compare the IBM TDF Series' managers ability to implement their own strategies rather than compare the series' performance with actual peer comparator / competitor funds. The fact that every vintage in the IBM TDF Series purportedly matched or outperformed these custom "benchmarks" nearly every year is telling. Defendants administer these custom benchmarks, which are not used or recognized outside this specific context, and which can be easily manipulated by Defendants to manufacture a performance and measure the benefits the IBM TDF Series purportedly provide.

79. Importantly, IBM does not disclose the actual composition of the custom blended benchmarks used for vintages in the IBM TDF Series—*i.e.*, which indices are included in the blend or how the mix of indices used is actually weighted. Rather, IBM only discloses that these benchmarks have their "index weighting" adjusted "twice a year to reflect the fund's changing asset allocations."

80. IBM's custom benchmark for the IBM TDF Series should not be relied upon.[20] Accordingly, Plaintiffs do not use or refer to the IBM custom benchmarks; rather, as detailed below, Plaintiffs have identified multiple benchmarks and comparator funds as meaningful benchmarks to gauge the performance of the IBM TDF Series. Each of these benchmarks provides a sound basis for comparison to the IBM TDF Series.

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[20] Indeed, the Department of Labor rejects the use of custom benchmarks as "benchmarks are more likely to be helpful when they are not subject to manipulation and are recognizable and understandable to the average plan participant, as is the case with broad-based indices contemplated by Instruction 5 to Item 27(b)(7) of Form N-1A." *See* Fiduciary Requirements for Disclosure in Participant-Directed Individual Account Plans, 75 Fed. Reg. 64910, 64916-64917 (Oct. 20, 2010). For this reason, the Department mandates benchmarks be a "broad-based securities market index" and that such not be "administered by an affiliate of the investment issuer, its investment adviser, or a principal underwriter, unless the index is widely recognized and used." 29 C.F.R. § 2550.404a-5.

81. The IBM TDF Series' performance is assessed based on comparable benchmarks for each of its vintages, as well as compared to four peers selected from major market vendors and filtered by similar characteristics, such as size, category, and risk ratio. To determine the characterization of underperformance, as detailed below, Plaintiffs adopt a criterion of consecutive years of trailing 3, 5, and 10-years of underperformance as well as a cumulative basis compounded over time.

2. Meaningful Benchmarks to Compare the Investment Performance of the IBM TDF Series

a. S&P 500 Target Date Indices

82. According to Morningstar,[21] over 50% of TDFs use the S&P Target Date Indices ("S&P Indices" or "TDI") as their primary prospectus benchmark to approximate performance.[22] The S&P Indices include a separately calculated index for each target date. Each index "measures the performance of sub-indices selected and weighted to represent a consensus of the opportunity set available in the U.S. universe of target date funds."[23]

83. As a composite of the disparate strategies and styles present in the broad universe of investable alternative TDFs, the S&P Indices represent an appropriate, meaningful benchmark comparator for the IBM TDF Series. That is, because each of the vintages in the IBM TDF Series necessarily includes a different mix of asset classes, and that mix evolves as the relevant target dates approach, and the S&P Indices cover a wide range of the types of investment strategies or

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21 Morningstar is a leading provider of investment research and is commonly relied upon by industry professionals.

22 *See* https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about-us/erisa-advisory-council/2024-qdia-marinescu-witness-statement-0910.pdf.

23 *See* https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-target-date.pdf.

characteristics that can exist in the universe of TDFs, the S&P Indices are appropriate comparators. *See, e.g.*, *Kistler v. Stanley Black & Decker, Inc.*, No. 3:22-cv-966 (SRU), 2024 U.S. Dist. LEXIS 117419, at *29 (D. Conn. July 3, 2024) ("[W]hen presented in combination with their allegations regarding peer TDFs, the S&P Target Date Indices assist the plaintiffs in plausibly showing that their peer TDF performance comparisons are not cherry picked."). Accordingly, the following S&P Indices are meaningful benchmarks for use in assessing the performance of each vintage within the IBM TDF Series:

Fund Name	**Benchmark**
IBM 2020 TDF	S&P 2020 Target Date Index
IBM 2025 TDF	S&P 2025 Target Date Index
IBM 2030 TDF	S&P 2030 Target Date Index
IBM 2035 TDF	S&P 2035 Target Date Index
IBM 2040 TDF	S&P 2040 Target Date Index
IBM 2045 TDF	S&P 2045 Target Date Index
IBM 2050 TDF	S&P 2050 Target Date Index
IBM 2055 TDF	S&P 2055 Target Date Index
IBM 2060 TDF	S&P 2060 Target Date Index

b. Comparator TDFs

84. All TDFs share similar risks such as allocation risks relating to the fund manager's chosen glide path and asset composition. Additionally, all TDFs seek to achieve its objectives by rebalancing portfolios to become more conservative as time progresses toward the target date.

85. Plaintiffs have identified four comparator TDFs—each of which are offered by major market vendors and were selected based on their similar characteristics to the IBM TDF Series—characteristics such as size, category, and risk ratio.

86. The TDF market is top heavy, with the majority of TDF series being managed as part of one of six TDF indexes—specifically: (1) Vanguard Target Retirement; (2) T. Rowe Price Retirement; (3) BlackRock LifePath Index; (4) American Funds Target Date Retirement; (5) Fidelity Freedom; and (6) Fidelity Freedom Index. Had Defendants opted to replace the IBM TDF Series, they likely would have worked with one of the suites listed.

87. Additionally, Morningstar has classified the TDFs offered by Vanguard, T. Rowe Price, BlackRock, American Funds, and Fidelity as being in the same "Morningstar Category" as the IBM TDF Series.[24] *See, e.g.*, *Snyder v. UnitedHealth Grp., Inc.*, No. 21-1049 (JRT/BRT), 2021 U.S. Dist. LEXIS 230878, at *12 (D. Minn. Dec. 2, 2021) (finding "the Morningstar Comparators constitute meaningful benchmarks because they fall within the same universe, and incorporate similar purposes, asset allocations, and risk exposure as the [] TDFs"). Additionally, as noted, the TDF suites offered by two of these providers—the Fidelity Freedom and Vanguard Institutional Target Retirement series—are included in the Plan's "Expanded Choice – Mutual Funds" tier.

88. As an illustrative example of the similarities in allocation strategies between IBM TDF Series to a major comparator suite, the glide path of the IBM TDF Series closely tracks that of the Vanguard Institutional Target Retirement Series. Both the IBM and Vanguard series hold approximately 90% in equities through participants' early and mid-career years (ages 20–40), gradually transitioning to a more conservative mix as participants approach retirement. At age 60, the IBM TDF funds allocate roughly 54% to equities and 46% to fixed income, closely aligning with

[24] A Morningstar Category is assigned by placing funds (*e.g.*, the IBM TDF Series, Fidelity, T. Rowe Price, Vanguard, and American Funds) into peer groups based on their holdings. Funds are placed in a Morningstar Category based on their portfolio statistics and compositions over the prior three years.

Vanguard's 50/50 balance. By approximately age 75, the IBM TDFs' glide path reaches about 40% equity and 60% fixed income, slightly more growth-oriented than Vanguard's roughly 30/70 mix, yet well within the standard range observed among peer TDFs. This comparison, using Vanguard as an example, demonstrates that the IBM TDF Series follows an allocation trajectory substantially similar to those of the industry's leading TDF suites.[25]

89. Accordingly, four of the suites shown above (the "Comparator TDFs") represent an ideal group for comparison. Specifically, for each vintage of the IBM TDF Series, the Comparator TDFs are as follows:

Fund	Comparator TDFs
IBM 2020 TDF	T. Rowe Price Retirement 2020 Trust (Class A) F00000Z2KW ("T. Rowe 2020 TDF")
	Fidelity Freedom 2020 K6 FATKX ("Freedom 2020 TDF")
	Vanguard Target Retire 2020 Trust I FOUSA06R60 ("Vanguard 2020 TDF")
	American Funds 2020 Trot Date Retire R6 RRCTX ("Am. Funds 2020 TDF")
IBM 2025 TDF	T. Rowe Price Retirement 2025 Trust (Class A) F00000Z2L0 ("T. Rowe 2025 TDF")
	Fidelity Freedom 2025 K6 FDTKX ("Freedom 2025 TDF")
	Vanguard Target Retire 2025 Trust I FOUSA06R61 ("Vanguard 2025 TDF")
	American Funds 2025 Trgt Date Retire R6 RFDTX ("Am. Funds 2025 TDF")
IBM 2030 TDF	T. Rowe Price Retirement 2030 Trust (Class A) F00000Z2L4 ("T. Rowe 2030 TDF")
	Fidelity Freedom 2030 K6 FGTKX ("Freedom 2030 TDF")
	Vanguard Target Retire 2030 Trust I FOUSA06R62 ("Vanguard 2030 TDF")

[25] The Vanguard Target Date Fund glide path information is sourced from Vanguard's official institutional site, *available at* https://institutional.vanguard.com/investment/strategies/tdf-glide-path.html.

Fund	Comparator TDFs
	American Funds 2030 Trgt Date Retire R6 RFETX ("Am. Funds 2030 TDF")
IBM 2035 TDF	T. Rowe Price Retirement 2035 Trust (Class A) F00000Z2L8 ("T. Rowe 2030 TDF")
	Fidelity Freedom 2035 K6 FWTKX ("Freedom 2035 TDF")
	Vanguard Target Retire 2035 Trust I FOUSA06R63 ("Vanguard 2035 TDF")
	American Funds 2035 Trgt Date Retire R6 RFFTX ("Am. Funds 2035 TDF")
IBM 2040 TDF	T. Rowe Price Retirement 2040 Trust (Class A) F00000Z2LC ("T. Rowe 2040 TDF")
	Fidelity Freedom 2040 K6 FHTKX ("Freedom 2040 TDF")
	Vanguard Target Retire 2040 Trust I FOUSA06R64 ("Vanguard 2040 TDF")
	American Funds 2040 Trgt Date Retire R6 RFGTX ("Am. Funds 2040 TDF")
IBM 2045 TDF	T. Rowe Price Retirement 2045 Trust (Class A) F00000Z2LG ("T. Rowe 2045 TDF")
	Fidelity Freedom 2045 K6 FJTKX ("Freedom 2045 TDF")
	Vanguard Target Retire 2045 Trust I FOUSA06R65 ("Vanguard 2045 TDF")
	American Funds 2045 Trgt Date Retire R6 RFHTX ("Am. Funds 2045 TDF")
IBM 2050 TDF	T. Rowe Price Retirement 2050 Trust (Class A) F00000Z2LK ("T. Rowe 2050 TDF")
	Fidelity Freedom 2050 K6 FZTKX ("Freedom 2050 TDF")
	Vanguard Target Retire 2050 Trust I FOUSA06R66 ("Vanguard 2050 TDF")
	American Funds 2050 Trgt Date Retire R6 RFITX ("Am. Funds 2050 TDF")
IBM 2055 TDF	T. Rowe Price Retirement 2055 Trust (Class A) F00000Z2LO (T. Rowe 2055 TDF")
	Fidelity Freedom 2055 K6 FCTKX ("Freedom 2055 TDF")
	Vanguard Target Retire 2055 Trust I F00000LIF0 ("Vanguard 2055 TDF")
	American Funds 2055 Trgt Date Retire R6 RFKTX ("Am. Funds 2055 TDF")

Fund	Comparator TDFs
IBM 2060 TDF	T. Rowe Price Retirement 2060 Tr-A ("T. Rowe 2060 TDF")
	Fidelity Freedom 2060 FDKVX ("Freedom 2060 TDF")
	Vanguard Target Retirement 2060 Fund VTTSX ("Vanguard 2060 TDF")
	American Funds 2060 Trgt Date Retire R6 RFUTX ("Am. Funds 2060 TDF")

90. Like the IBM TDF Series, each of the Comparator TDFs is a target date fund structured as a fund of funds. Additionally, the IBM TDF Series and each of the Comparator TDFs invests in a diversified portfolio comprised primarily of investments from different market sectors. Similarly, the Comparator TDFs and the IBM TDF Series all seek to achieve their objectives by rebalancing their portfolios to become more conservative as the fund approaches / passes the relevant target date.

91. Based on the similarities of the Comparator TDFs' structures, Morningstar's inclusion of each of the Comparator TDFs in the same Morningstar Category, and IBM including two of the Comparator TDFs in its expanded tier of investment options available to the Plan, the Comparator TDFs represent meaningful comparators to the IBM TDF Series. When combined with the S&P Indices, Plaintiffs have identified meaningful benchmarks that provide a sound basis of comparison to the IBM TDF Series.

92. As discussed below, when evaluated against the Comparator TDFs, both individually and as a group, the returns of the IBM TDF Series paled in comparison to those of the readily available alternatives. Accordingly, a prudent fiduciary could not have reasonably concluded that retention of the IBM TDF Series was appropriate for the Plan.

3. The IBM TDF Series Consistently Underperformed as Compared to the Meaningful Benchmarks

93. As detailed below, the vintages of the IBM TDF Series at issue have significantly underperformed both the S&P Indices benchmarks and their peer Comparator TDFs on a trailing 3, 5, and 10-years basis and a cumulative basis. Indeed, given this dynamic, poor returns due to bad asset allocation will compound long term underperformance as the opportunity to overperform is reduced over time as the funds become more conservative.

a. The IBM 2020 Vintage

94. The IBM 2020 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 1.a below illustrates the 2025 IBM TDF vintage's performance as compared to the S&P 2020 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for 2023 and 2024:

Table 1.a
IBM 2020 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2020 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2020 TDF	6.05%	-1.64%	7.35%	10.29%	-3.95%	15.91%	10.96%	7.62%	-15.13%	9.77%	7.13%
2020 TDI	5.67%	-0.19%	7.22%	12.8%	-4.16%	16.52%	10.24%	8.76%	-12.81%	12.32%	8.09%
Alpha	0.38%	-1.45%	0.13%	-2.51%	0.21%	-0.61%	0.72%	-1.14%	-2.32%	-2.55%	-0.96%
Trailing 3 years	-	-	-0.95%	-3.8%	-2.17%	-2.9%	0.31%	-1.04%	-2.74%	-5.89%	-5.73%
Trailing 5 years	-	-	-	-	-3.23%	-4.18%	-2.07%	-3.32%	-3.13%	-5.8%	-6.13%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-8.84%	-10.06%

95. Table 1.b illustrates the 2020 IBM TDF's performance as compared to the 2020 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2023; (ii) 3-year

trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for 2023 and 2024:

Table 1.b
IBM 2020 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2020 TDF	6.05%	-1.64%	7.35%	10.29%	-3.95%	15.91%	10.96%	7.62%	-15.13%	9.77%	7.13%
T. Rowe 2020 TDF	5.64%	-0.21%	7.49%	15.74%	-4.82%	19.47%	13.42%	10.36%	-14.55%	13.63%	9.24%
Freedom 2020 TDF	5.34%	-0.23%	7.26%	15.74%	-5.03%	18.15%	13.94%	9.07%	-15.92%	13.17%	7.61%
Vanguard 2020 TDF	7.22%	-0.55%	7.03%	14.18%	-4.18%	17.73%	12.12%	8.24%	-14.14%	12.54%	7.75%
Am.Funds 2020 TDF	6.74%	0.19%	7.05%	12.87%	-2.69%	15.59%	10.99%	10.64%	-11.01%	10.46%	8.94%
Delta	-0.18%	-1.44%	0.14%	-4.34%	0.23%	-1.82%	-1.65%	-1.95%	-1.22%	-2.68%	-1.25%
Trailing 3 years	-	-	-1.48%	-5.58%	-3.98%	-5.98%	-3.23%	-5.35%	-4.76%	-5.75%	-5.08%
Trailing 5 years	-	-	-	-	-5.54%	-7.1%	-7.3%	-9.24%	-6.29%	-9%	-8.48%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-14.05%	-14.97%

96. Table 1.c below illustrates the 2020 IBM TDF vintage's cumulative compounded performance as compared to the 2020 vintages of the Comparator TDFs and the S&P 2020 TDI:

Table 1.c
IBM 2020 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2020 TDI

Fund / TDI	**Cumulative Compounded Performance 2016-2024**[26]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2020 TDF	57.10%	N/A
T. Rowe 2020 TDF	87.82%	-30.73%
Freedom 2020 TDF	77.26%	-20.16%
Vanguard 2020 TDF	74.19%	-17.09%
Am. Funds 2020 TDF	78.72%	-21.62%
Delta	79.50%	-22.40%
2020 TDI	71.42%	-14.32%

97. As of December 31, 2024, the assets in the IBM 2020 TDF had an approximate value of $296 million. Assuming that amount resulted from a cumulative compound growth of 57.1%, the original amount in 2016 would have been approximately $188 million. Had $188 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $338 million (or an increase in value for participants of approximately $42 million).

98. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2020 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

[26] Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

99. A prudent fiduciary monitoring the 2020 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2020 TDI and one or more of the Comparator TDFs identified in Table 1.b and Table 1.c.

100. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2025 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

b. The IBM 2025 Vintage

101. The IBM 2025 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 2.a below illustrates the 2025 IBM TDF vintage's performance as compared to the S&P 2025 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 2.a
IBM 2025 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2025 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2025 TDF	6.4%	-1.81%	8.08%	12.31%	-4.83%	17.95%	11.62%	9.64%	-15.9%	11.23%	8.12%
2025 TDI	5.56%	-0.25%	7.82%	14.55%	-5.02%	18.38%	11.22%	10.67%	-13.13%	12.99%	8.44%
Alpha	0.84%	-1.56%	0.26%	-2.24%	0.19%	-0.43%	0.4%	-1.03%	-2.77%	-1.76%	-0.32%
Trailing 3 years	-	-	-0.47%	-3.52%	-1.8%	-2.48%	0.16%	-1.06%	-3.4%	-5.46%	-4.78%
Trailing 5 years	-	-	-	-	-2.52%	-3.75%	-1.83%	-3.09%	-3.62%	-5.49%	-5.39%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-7.87%	-8.94%

102. Table 2.b illustrates the 2025 IBM TDF's performance as compared to the 2025 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2023; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 2.b
IBM 2025 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund		**Annual Performance**									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2025 TDF	6.4%	-1.81%	8.08%	12.31%	-4.83%	17.95%	11.62%	9.64%	-15.9%	11.23%	8.12%
T. Rowe 2025 TDF	5.99%	-0.14%	7.66%	17.75%	-5.55%	21.2%	14.83%	11.8%	-15.55%	14.57%	9.69%
Freedom 2025 TDF	5.63%	-0.16%	7.47%	16.97%	-5.78%	19.72%	14.87%	10.29%	-16.54%	14.44%	8.48%
Vanguard 2025 TDF	7.25%	-0.7%	7.55%	16.02%	-5.06%	19.78%	13.41%	9.91%	-15.44%	14.55%	9.44%
Am.Funds 2025 TDF	6.66%	0.13%	7.36%	15.33%	-3.47%	17.85%	13.67%	11.44%	-12.74%	11.94%	9.34%
Delta	0.02%	-1.59%	0.57%	-4.21%	0.14%	-1.69%	-2.58%	-1.22%	-0.83%	-2.65%	-1.12%
Trailing 3 years	-	-	-1.05%	-5.2%	-3.53%	-5.7%	-4.01%	-5.39%	-4.56%	-4.63%	-4.53%
Trailing 5 years	-	-	-	-	-5.05%	-6.67%	-7.6%	-9.24%	-6.04%	-8.66%	-8.13%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-13.27%	-14.25%

103. Table 2.c below illustrates the 2025 IBM TDF vintage's cumulative compounded performance as compared to the 2025 vintages of the Comparator TDFs and the S&P 2025 TDI:

Table 2.c
IBM 2025 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2025 TDI

Fund / TDI	**Cumulative Compounded Performance 2016 - 2024[27]**	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2025 TDF	68.65%	N/A
T. Rowe 2025 TDF	97.72%	-29.07%
Freedom 2025 TDF	86.13%	-17.48%
Vanguard 2025 TDF	87.50%	-18.85%
Am. Funds 2025 TDF	90.57%	-21.91%
Delta	90.48%	-21.83%
2025 TDI	81.94%	-13.28%

104. As of December 31, 2024, the assets in the IBM 2025 TDF had an approximate value of $908 million. Assuming that amount resulted from a cumulative compound growth of 68.65%, the original amount in 2016 would have been approximately $538 million. Had $538 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $1.025 billion (or an increase in value for participants of approximately $117 million).

105. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2025 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

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27 Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

106. A prudent fiduciary monitoring the 2025 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2025 TDI and one or more of the Comparator TDFs identified in Table 2.b and Table 2.c.

107. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2025 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

c. The IBM 2030 Vintage

108. The IBM 2030 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 3.a below illustrates the 2030 IBM TDF vintage's performance as compared to the S&P 2030 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 3.a
IBM 2030 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2030 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2030 TDF	6.68%	-1.98%	8.82%	14.42%	-5.74%	20.11%	12.03%	11.75%	-16.64%	13.1%	9.44%
2030 TDI	5.64%	-0.3%	8.35%	16.19%	-5.99%	20.38%	11.91%	12.61%	-13.96%	14.8%	9.9%
Alpha	1.04%	-1.68%	0.47%	-1.77%	0.25%	-0.27%	0.12%	-0.86%	-2.68%	-1.7%	-0.46%
Trailing 3 years	-	-	-0.19%	-2.96%	-1.06%	-1.79%	0.09%	-1.01%	-3.4%	-5.16%	-4.78%
Trailing 5 years	-	-	-	-	-1.72%	-3%	-1.21%	-2.52%	-3.42%	-5.3%	-5.48%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-6.92.%	-8.3%

109. Table 2.b illustrates the 2030 IBM TDF's performance as compared to the 2030 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 3.b
IBM 2030 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund		**Annual Performance**									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2030 TDF	6.68%	-1.98%	8.82%	14.42%	-5.74%	20.11%	12.03%	11.75%	-16.64%	13.1%	9.44%
T. Rowe 2030 TDF	6.2%	0.13%	7.77%	19.58%	-6.13%	22.7%	16.06%	13.45%	-16.83%	16.56%	10.19%
Freedom 2030 TDF	5.67%	-0.16%	8.13%	20%	-6.83%	22.06%	15.84%	11.69%	-16.77%	15.72%	9.51%
Vanguard 2030 TDF	7.28%	-0.91%	7.93%	17.61%	-5.77%	21.18%	14.19%	11.48%	-16.15%	16.03%	10.64%
Am.Funds 2030 TDF	7.06%	0.47%	7.71%	18.4%	-4.16%	20.06%	15.16%	13.16%	-14.5%	14.52%	10.86%
Delta	0.13%	-1.86%	0.94%	-4.48%	-0.02%	-1.39%	-3.28%	-0.7%	-0.58%	-2.61%	-0.86%
Trailing 3 years	-	-	-5.40%	-3.60%	-5.82%	-4.64%	-5.29%	-4.51%	-3.84%	-4.00%	-5.40%
Trailing 5 years	-	-	-	-	-5.28%	-6.71%	-8.06%	-9.55%	-5.85%	-8.29%	-7.80%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-13.13%	-13.99%

110. Table 3.c below illustrates the 2030 IBM TDF vintage's cumulative compounded performance as compared to the 2030 vintages of the Comparator TDFs and the S&P 2030 TDI:

Table 3.c
IBM 2030 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2030 TDI

Fund / TDI	**Cumulative Compounded Performance 2016 - 2024**[28]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2030 TDF	82.09%	N/A
T. Rowe 2030 TDF	108.77%	-26.68%
Freedom 2030 TDF	101.37%	-19.27%
Vanguard 2030 TDF	98.62%	-16.52%
Am. Funds 2030 TDF	107.57%	-25.48%
Delta	104.08%	-21.99%
2030 TDI	94.9%	-12.81%

111. As of December 31, 2024, the assets in the IBM 2030 TDF had an approximate value of $1.337 billion. Assuming that amount resulted from a cumulative compound growth of 82.09%, the original amount in 2016 would have been approximately $734 million. Had $734 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $1.498 billion (or an increase in value for participants of approximately $161 million).

112. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2030 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

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[28] Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

113. A prudent fiduciary monitoring the 2030 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2030 TDI and one or more of the Comparator TDFs identified in Table 3.b and Table 3.c.

114. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2030 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

d. The IBM 2035 Vintage

115. The IBM 2035 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 4.a below illustrates the 2035 IBM TDF vintage's performance as compared to the S&P 2035 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 4.a
IBM 2035 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2035 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2035 TDF	6.85%	-2.18%	9.53%	16.63%	-6.65%	22.33%	12.58%	13.76%	-17.38%	14.9%	10.81%
2035 TDI	5.69%	-0.35%	8.85%	17.78%	-6.88%	22.18%	12.79%	14.93%	-14.99%	16.63%	11.38%
Alpha	1.16%	-1.83%	0.68%	-1.15%	0.23%	0.15%	-0.21%	-1.17%	-2.39%	-1.73%	-0.57%
Trailing 3 years	-	-	-0.02%	-2.30%	-0.25%	-0.77%	0.17%	-1.23%	-3.73%	-5.20%	-4.63%
Trailing 5 years	-	-	-	-	-0.94%	-1.93%	-0.31%	-2.14%	-3.37%	-5.26%	-5.94%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-6.15%	-7.75%

116. Table 4.b illustrates the 2035 IBM TDF's performance as compared to the 2035 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 4.b
IBM 2035 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2035 TDF	6.85%	-2.18%	9.53%	16.63%	-6.65%	22.33%	12.58%	13.76%	-17.38%	14.9%	10.81%
T. Rowe 2035 TDF	6.22%	0.26%	7.81%	21%	-6.69%	23.99%	17.22%	15.02%	-17.77%	18.08%	11.97%
Freedom 2035 TDF	5.75%	-0.21%	8.63%	22.2%	-8.15%	24.74%	17.41%	14.56%	-17.51%	18.06%	11.33%
Vanguard 2035 TDF	7.26%	-1.09%	8.35%	19.22%	-6.52%	22.58%	14.93%	13.08%	-16.52%	17.14%	11.78%
Am.Funds 2035 TDF	7.02%	0.59%	8%	21.04%	-5.14%	23.29%	17.55%	15.54%	-16.24%	16.9%	12.73%
Delta	0.29%	-2.07%	1.33%	-4.24%	-0.03%	-1.32%	-4.2%	-0.79%	-0.37%	-2.65%	-1.14%
Trailing 3 years	-	-	-0.48%	-4.97%	-2.98%	-5.52%	-5.49%	-6.21%	-5.31%	-3.77%	-4.11%
Trailing 5 years	-	-	-	-	-4.72%	-6.24%	-8.28%	-10.20%	-6.58%	-9.03%	-8.86%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-13.32%	-14.55%

117. Table 4.c below illustrates the 2035 IBM TDF vintage's cumulative compounded performance as compared to the 2035 vintages of the Comparator TDFs and the S&P 2035 TDI:

Table 4.c
IBM 2035 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2035 TDI

Fund / TDI	**Cumulative Compounded Performance 2016 - 2024**[29]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2035 TDF	96.53%	N/A
T. Rowe 2035 TDF	121.23%	-24.70%
Freedom 2035 TDF	121.80%	-25.27%
Vanguard 2035 TDF	110.27%	-13.75%
Am. Funds 2035 TDF	129.20%	-32.67%
Delta	120.63%	-24.10%
2035 TDI	108.80%	-12.27%

118. As of December 31, 2024, the assets in the IBM 2035 TDF had an approximate value of $1.344 billion. Assuming that amount resulted from a cumulative compound growth of 96.53%, the original amount in 2016 would have been approximately $683 million. Had $683 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $1.508 billion (or an increase in value for participants of approximately $164 million).

119. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2035 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

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[29] Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

120. A prudent fiduciary monitoring the 2035 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2035 TDI and one or more of the Comparator TDFs identified in Table 4.b. and Table 4.c.

121. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2035 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

e. The IBM 2040 Vintage

122. The IBM 2040 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 5.a below illustrates the 2040 IBM TDF vintage's performance as compared to the S&P 2040 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 5.a
IBM 2040 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2040 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2040 TDF	6.76%	-2.39%	9.93%	17.88%	-7.41%	24.18%	12.76%	15.79%	-18.17%	16.66%	12.36%
2040 TDI	5.69%	-0.4%	9.23%	18.87%	-7.41%	23.37%	13.37%	16.55%	-15.56%	18.16%	12.87%
Alpha	1.07%	-1.99%	0.7%	-0.99%	0%	0.81%	-0.61%	-0.76%	-2.61%	-1.5%	-0.51%
Trailing 3 years	-	-	-0.25%	-2.28%	-0.30%	-0.19%	0.20%	-0.57%	-3.94%	-4.80%	-4.56%
Trailing 5 years	-	-	-	-	-4.67%	-5.39%	-8.14%	-9.87%	-6.53%	-8.91%	-9.52%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-13.16%	-14.39%

123. Table 5.b illustrates the 2040 IBM TDF's performance as compared to the 2040 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 5.b
IBM 2040 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2040 TDF	6.76%	-2.39%	9.93%	17.88%	-7.41%	24.18%	12.76%	15.79%	-18.17%	16.66%	12.36%
T. Rowe 2040 TDF	6.36%	0.26%	7.85%	22.13%	-7.04%	24.95%	18.31%	16.3%	-18.55%	19.93%	13.13%
Freedom 2040 TDF	5.71%	-0.18%	8.6%	22.42%	-8.75%	25.7%	18.53%	16.7%	-18.06%	20.26%	13.61%
Vanguard 2040 TDF	7.29%	-1.44%	8.8%	20.82%	-7.27%	23.97%	15.59%	14.7%	-16.95%	18.34%	12.88%
Am.Funds 2040 TDF	6.96%	0.58%	8.17%	21.98%	-5.52%	24.4%	18.77%	16.83%	-17.55%	19.33%	14.79%
Delta	0.18%	-2.2%	1.58%	-3.96%	-0.27%	-0.58%	-5.04%	-0.34%	-0.39%	-2.81%	-1.24%
Trailing 3 years	-	-	-0.48%	-4.59%	-2.70%	-4.76%	-5.84%	-5.91%	-5.74%	-3.52%	-4.39%
Trailing 5 years	-	-	-	-	-4.67%	-5.39%	-8.14%	-9.87%	-6.53%	-8.91%	-9.52%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-13.16%	-14.39%

124. Table 5.c below illustrates the 2040 IBM TDF vintage's cumulative compounded performance as compared to the 2040 vintages of the Comparator TDFs and the S&P 2040 TDI:

Table 5.c
IBM 2040 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2040 TDI

Fund / TDI	**Cumulative Compounded Performance 2016 - 2024[30]**	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2040 TDF	108.66%	N/A
T. Rowe 2040 TDF	132.63%	-23.97%
Freedom 2040 TDF	136.15%	-27.48%
Vanguard 2040 TDF	122.27%	-13.61%
Am. Funds 2040 TDF	143.03%	-34.37%
Delta	133.52%	-24.86%
2040 TDI	120.70%	-12.03%

125. As of December 31, 2024, the assets in the IBM 2040 TDF had an approximate value of $1.077 billion. Assuming that amount resulted from a cumulative compound growth of 108.66%, the original amount in 2016 would have been approximately $516 million. Had $516 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $1.205 billion (or an increase in value for participants of approximately $128 million).

126. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2040 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

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[30] Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

127. A prudent fiduciary monitoring the 2040 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2040 TDI and one or more of the Comparator TDFs identified in Table 5.b. and Table 5.c.

128. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2040 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

f. The IBM 2045 Vintage

129. The IBM 2045 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 6.a below illustrates the 2045 IBM TDF vintage's performance as compared to the S&P 2045 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 6.a
IBM 2045 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2045 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2045 TDF	6.76%	-2.37%	10%	18.14%	-7.64%	24.87%	12.73%	17.05%	-18.6%	17.89%	13.6%
2045 TDI	5.67%	-0.46%	9.54%	19.56%	-7.74%	24.02%	13.66%	17.51%	-15.84%	19.14%	13.58%
Alpha	1.09%	-1.91%	0.46%	-1.42%	0.1%	0.85%	-0.93%	-0.46%	-2.76%	-1.25%	0.02%
Trailing 3 years	-	-	-0.38%	-2.86%	-0.87%	-0.48%	0.01%	-0.55%	-4.11%	-4.42%	-3.96%
Trailing 5 years	-	-	-	-	-1.70%	-1.93%	-0.95%	-1.86%	-3.20%	-4.50%	-5.29%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-6.13%	-7.12%

130. Table 6.b illustrates the 2045 IBM TDF's performance as compared to the 2045 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 6.b
IBM 2045 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund	Annual Performance										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2045 TDF	6.76%	-2.37%	10%	18.14%	-7.64%	24.87%	12.73%	17.05%	-18.6%	17.89%	13.6%
T. Rowe 2045 TDF	6.44%	0.26%	7.91%	22.54%	-7.26%	25.59%	18.82%	17.22%	-18.74%	20.81%	13.93%
Freedom 2045 TDF	5.79%	-0.16%	8.57%	22.5%	-8.74%	25.76%	18.46%	16.78%	-18.12%	20.91%	14.4%
Vanguard 2045 TDF	7.29%	-1.47%	8.94%	21.52%	-7.86%	25.1%	16.26%	16.34%	-17.33%	20.17%	14.64%
Am.Funds 2045 TDF	7.09%	0.64%	8.27%	22.44%	-5.58%	24.68%	19.21%	17.18%	-18.18%	20.15%	15.17%
Delta	0.11%	-2.19%	1.58%	-4.11%	-0.28%	-0.41%	-5.46%	0.17%	-0.51%	-2.62%	-0.94%
Trailing 3 years	-	-	-0.54%	-4.73%	-2.87%	-4.77%	-6.11%	-5.69%	-5.78%	-2.95%	-4.02%
Trailing 5 years	-	-	-	-	-4.89%	-5.39%	-8.55%	-9.82%	-6.43%	-8.62%	-9.1%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-13.1%	-14%

131. Table 6.c below illustrates the 2045 IBM TDF vintage's cumulative compounded performance as compared to the 2045 vintages of the Comparator TDFs and the S&P 2045 TDI:

Table 6.c
IBM 2045 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2045 TDI

Fund / TDI	**Cumulative Compounded Performance 2016 - 2024**[31]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2045 TDF	115.59%	N/A
T. Rowe 2045 TDF	139.92%	-24.34%
Freedom 2045 TDF	139.15%	-23.57%
Vanguard 2045 TDF	135.06%	-19.47%
Am. Funds 2045 TDF	146.82%	-31.23%
Delta	140.24%	-24.65%
2045 TDI	127.94%	-12.35%

132. As of December 31, 2024, the assets in the IBM 2045 TDF had an approximate value of $944 million. Assuming that amount resulted from a cumulative compound growth of 115.59%, the original amount in 2016 would have been approximately $437 million. Had $437 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $1.051 billion (or an increase in value for participants of approximately $108 million).

133. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2045 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

31 Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

134. A prudent fiduciary monitoring the 2045 IBM vintage's performance would have compared the vintage's returns to returns from the S&P 2045 TDI and one or more of the Comparator TDFs identified in Table 6.b and Table 6.c.

135. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2045 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

g. The IBM 2050 Vintage

136. The IBM 2050 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 7.a below illustrates the 2050 IBM TDF vintage's performance as compared to the S&P 2050 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 7.a
IBM 2050 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2050 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2050 TDF	6.76%	-2.36%	9.99%	18.15%	-7.65%	24.88%	12.79%	17.2%	-18.72%	18.22%	14.06%
2050 TDI	5.69%	-0.47%	9.74%	20.18%	-7.94%	24.35%	13.86%	17.99%	-15.97%	19.58%	14.3%
Alpha	1.07%	-1.89%	0.25%	-2.03%	0.29%	0.53%	-1.07%	-0.79%	-2.75%	-1.36%	-0.24%
Trailing 3 years	-	-	-0.5%	-4.77%	-2.94%	-4.86%	-6.19%	-5.75%	-5.68%	-2.65%	-3.43%
Trailing 5 years	-	-	-	-	-2.33%	-2.85%	-2.04%	-3.05%	-3.77%	-5.35%	-6.07%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-7.55%	-8.75%

137. Table 7.b illustrates the 2050 IBM TDF's performance as compared to the 2050 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 7.b
IBM 2050 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2050 TDF	6.76%	-2.36%	9.99%	18.15%	-7.65%	24.88%	12.79%	17.2%	-18.72%	18.22%	14.06%
T. Rowe 2050 TDF	6.36%	0.26%	7.91%	22.54%	-7.36%	25.67%	18.74%	17.35%	-18.83%	20.78%	14.17%
Freedom 2050 TDF	5.78%	-0.24%	8.63%	22.57%	-8.74%	25.65%	18.48%	16.79%	-18.1%	20.87%	14.44%
Vanguard 2050 TDF	7.29%	-1.53%	8.96%	21.48%	-7.82%	25.07%	16.45%	16.6%	-17.44%	20.17%	14.64%
Am.Funds 2050 TDF	7.02%	0.65%	8.33%	22.61%	-5.61%	25.04%	19.42%	17.27%	-18.89%	20.83%	15.43%
Delta	0.15%	-2.15%	1.53%	-4.15%	-0.27%	-0.48%	-5.48%	0.2%	-0.4%	-2.44%	-0.61%
Trailing 3 years	-	-	-0.5%	-4.77%	-2.94%	-4.86%	-6.19%	-5.75%	-5.68%	-2.65%	-3.43%
Trailing 5 years	-	-	-	-	-4.88%	-5.48%	-8.70%	-9.9%	-6.38%	-8.42%	-8.54%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-12.89%	-13.55%

138. Table 7.c below illustrates the 2050 IBM TDF vintage's cumulative compounded performance as compared to the 2050 vintages of the Comparator TDFs and the S&P 2050 TDI:

Table 7.c
IBM 2050 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2050 TDI

Fund / TDI	Cumulative Compounded Performance 2016 - 2024[32]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2050 TDF	117.13%	N/A
T. Rowe 2050 TDF	140.1%	-22.97%
Freedom 2050 TDF	139.34%	-22.2%
Vanguard 2050 TDF	135.67%	-18.54%
Am. Funds 2050 TDF	148.36%	-31.23%
Delta	140.87%	-23.73%
2050 TDI	132.95%	-15.82%

139. As of December 31, 2024, the assets in the IBM 2050 TDF had an approximate value of $729 million. Assuming that amount resulted from a cumulative compound growth of 117.13%, the original amount in 2016 would have been approximately $335 million. Had $335 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $808 million (or an increase in value for participants of approximately $79 million).

140. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2050 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

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32 Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

141. A prudent fiduciary monitoring the 2050 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2050 TDI and one or more of the Comparator TDFs identified in Table 7.b and Table 7.c.

142. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2050 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

h. The IBM 2055 Vintage

143. The IBM 2055 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 8.a below illustrates the 2055 IBM TDF vintage's performance as compared to the S&P 2055 TDI based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 8.a
IBM 2055 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2055 TDI

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2055 TDF	6.76%	-2.33%	10%	18.13%	-7.52%	24.92%	12.78%	17.23%	-18.7%	18.23%	14.06%
2055 TDI	5.64%	-0.54%	9.94%	20.48%	-7.97%	24.48%	13.86%	18.19%	-15.97%	19.62%	14.32%
Alpha	1.12%	-1.79%	0.06%	-2.35%	0.45%	0.44%	-1.08%	-0.96%	-2.73%	-1.39%	-0.26%
Trailing 3 years	-	-	-0.63%	-4.04%	-1.85%	-1.48%	-0.20%	-1.60%	-4.70%	-5%	-4.33%
Trailing 5 years	-	-	-	-	-2.53%	-3.18%	-2.48%	-3.48%	-3.85%	-5.62%	-6.27%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-8%	-9.26%

144. Table 8.b illustrates the 2055 IBM TDF's performance as compared to the 2055 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 8.b
IBM 2055 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2055 TDF	6.76%	-2.33%	10%	18.13%	-7.52%	24.92%	12.78%	17.23%	-18.7%	18.23%	14.06%
T. Rowe 2055 TDF	6.38%	0.33%	7.86%	22.64%	-7.36%	25.65%	18.73%	17.37%	-18.92%	20.85%	14.22%
Freedom 2055 TDF	5.75%	-0.2%	8.56%	22.4%	-8.68%	25.67%	18.46%	16.77%	-18.07%	20.85%	14.43%
Vanguard 2055 TDF	7.27%	-1.63%	8.98%	21.48%	-7.83%	25.09%	16.42%	16.61%	-17.43%	20.18%	14.63%
Am.Funds 2055 TDF	7.01%	0.63%	8.3%	22.63%	-5.65%	25.09%	19.39%	17.28%	-19.5%	21.4%	15.58%
Delta	0.16%	-2.11%	1.58%	-4.16%	-0.14%	-0.45%	-5.47%	0.22%	-0.22%	-2.59%	-0.65%
Trailing 3 years	-	-	-0.41%	-4.70%	-2.78%	-4.73%	-6.03%	-5.69%	-5.47%	-2.59%	-3.44%
Trailing 5 years	-	-	-	-	-4.69%	-5.27%	-8.52%	-9.74%	-6.03%	-8.34%	-8.52%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-12.63%	-13.34%

145. Table 8.c below illustrates the 2055 IBM TDF vintage's cumulative compounded performance as compared to the 2055 vintages of the Comparator TDFs and the S&P 2055 TDI:

Table 8.c
IBM 2055 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2055 TDI

Fund / TDI	**Cumulative Compounded Performance 2016 - 2024**[33]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2055 TDF	117.6%	N/A
T. Rowe 2055 TDF	140.15%	-22.55%
Freedom 2055 TDF	138.99%	-21.39%
Vanguard 2055 TDF	135.71%	-18.11%
Am. Funds 2055 TDF	147.9%	-30.3%
Delta	140.69%	-23.09%
2055 TDI	134.65%	-17.05%

146. As of December 31, 2024, the assets in the IBM 2055 TDF had an approximate value of $642 million. Assuming that amount resulted from a cumulative compound growth of 117.6%, the original amount in 2016 would have been approximately $295 million. Had $295 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $710 million (or an increase in value for participants of approximately $68 million).

147. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2055 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

33 Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

148. A prudent fiduciary monitoring the 2055 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2055 TDI and one or more of the Comparator TDFs identified in Table 8.b and Table 8.c.

149. When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2055 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

i. The IBM 2060 Vintage

150. The IBM 2060 TDF's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 9.a below illustrates the 2060 IBM TDF vintage's performance as compared to the S&P 2060 TDI based on: (i) yearly returns for the years 2015-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2019-2024; and (iv) 10-year trailing return for the year 2024:

Table 9.a
IBM 2060 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the 2060 TDI

Fund / TDI	**Annual Performance**									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2060 TDF	-4.34%	10.02%	18.17%	-7.52%	24.92%	12.89%	17.23%	-18.66%	18.24%	14.07%
2060 TDI	-0.66%	10.08%	20.75%	-7.95%	24.73%	13.99%	18.05%	-16.01%	19.74%	14.44%
Alpha	-3.68%	-0.06%	-2.58%	0.43%	0.19%	-1.1%	-0.82%	-2.65%	-1.5%	-0.37%
Trailing 3 years	-	-6.22%	-2.22%	-1.98%	-0.49%	-1.72%	-4.51%	-4.90%	-4.47%	-6.22%
Trailing 5 years	-	-	-	-5.64%	-3.11%	-3.85%	-3.92%	-5.76%	-6.29%	-5.64%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-11.58%

151. Table 9.b illustrates the 2060 IBM TDF's performance as compared to the 2060 vintages of the Comparator TDFs based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2023; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 9.b
IBM 2060 TDF
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator TDFs

Fund	**Annual Performance**									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM 2060 TDF	-4.34%	10.02%	18.17%	-7.52%	24.92%	12.89%	17.23%	-18.66%	18.24%	14.07%
T. Rowe 2060 TDF	0.41%	7.97%	22.52%	-7.4%	25.7%	18.68%	17.45%	-18.95%	21.17%	14.2%
Freedom 2060 TDF	-0.22%	8.61%	22.1%	-8.92%	25.43%	18.12%	16.52%	-18.28%	20.5%	14.03%
Vanguard 2060 TDF	-1.68%	8.84%	21.36%	-7.87%	24.96%	16.32%	16.44%	-17.46%	20.18%	14.63%
Am.Funds 2060 TDF	N/A	8.41%	22.49%	-5.64%	25.01%	19.44%	17.19%	-19.66%	21.61%	15.6%
Delta	-3.84%	1.56%	-3.95%	-0.06%	-0.36%	-5.25%	0.33%	-0.07%	-2.63%	-0.55%
Trailing 3 years	-	-	-6.2%	-2.51%	-4.35%	-5.65%	-5.27%	-5.01%	-2.37%	-3.23%
Trailing 5 years	-	-	-	-	-6.59%	-7.95%	-9.07%	-5.40%	-7.83%	-8%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-14.06%

152. Table 9.c below illustrates the 2060 IBM TDF vintage's cumulative compounded performance as compared to the 2060 vintages of the Comparator TDFs and the S&P 2060 TDI:

Table 9.c
IBM 2060 TDF
Cumulative Compounded Performance vs. the Comparator TDFs and 2060 TDI

Fund / TDI	**Cumulative Compounded Performance 2017 - 2024**[34]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM 2060 TDF	98.21%	N/A
T. Rowe 2060 TDF	122.95%	-24.74%
Freedom 2060 TDF	115.58%	-17.37%
Vanguard 2060 TDF	115.18%	-16.97%
Am. Funds 2060 TDF	128.42%	-30.21%
Delta	120.53%	-22.32%
2060 TDI	114.71%	-16.51%

153. As of December 31, 2024, the assets in the IBM 2060 TDF had an approximate value of $729 million. Assuming that amount resulted from a cumulative compound growth of 98.21%, the original amount in 2017 would have been approximately $367 million. Had $367 million been invested in one of the Comparator TDFs, its value at the start of 2025 would have been, on average, approximately $811 million (or an increase in value for participants of approximately $82 million).

154. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the 2060 IBM TDF vintage and compared its performance to the corresponding TDI and vintages of the Comparator TDFs.

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[34] Plaintiffs calculate cumulative compound performance beginning with 2017 as that was the first year where there was underperformance on a trailing three-years basis.

155. A prudent fiduciary monitoring the 2060 IBM TDF vintage's performance would have compared the vintage's returns to returns from the S&P 2060 TDI and one or more of the Comparator TDFs identified in Table 9.b and Table 9.c.

When considering whether to retain a certain suite of TDFs in a plan, a prudent fiduciary would evaluate the TDF's risk and return characteristics as compared to the entire universe of TDFs available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the 2060 IBM TDF vintage, or the IBM TDF Series as a whole, was appropriate for the Plan.

C. The IBM Risk Series Consistently Underperformed as Compared to Meaningful Benchmarks

156. The IBM Risk Series has been part of the Plan since at least 1996. Defendants describe each of the funds with the IBM Risk Series as a "preset mix of stock, bond and other investments" that provide "broad diversification to the financial markets, both in the U.S. and abroad."[35]

157. Defendants describe the IBM Risk Series as providing an option to select an investment strategy after "considering your life situation, time to retirement, investment objectives, and risk tolerance."[36]

158. The IBM Conservative Risk Fund is described as a "unitized fund" that "seeks returns that moderately outpace inflation over the long term."[37] The fund's "target allocation is 40% stocks and 60% bonds." *Id.* The fund "does not buy securities directly; instead, it invests in

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[35] Plan SPD, at 27.

[36] 2024 Plan Index, at 4.

[37] *Id.* at 27.

seven IBM 401(k) Plan funds: [1] the Inflation Protected Bond Fund, [2] the Total Bond Market Fund, [3] the High Yield & Emerging Markets Bond Fund, [4] the Global Real Estate Stock Index Fund, [5] the Total Stock Market Index Fund, [6] the Total International Stock Market Index Fund, and [7] the Balanced Exposure Fund."

159. The IBM Moderate Risk Fund is described as a fund that "seeks relatively high returns at a moderate risk level."[38] The fund's "target allocation is 65% stocks and 35% bonds." *Id.* Like the IBM Conservative Risk Fund, the fund does not buy securities directly; instead, it invests in the same seven IBM 401(k) Plan funds.

160. The IBM Moderate Risk Fund is described as a fund that "seeks high returns over the long term."[39] The fund's "target allocation is 90% stocks and 10% bonds." *Id.* Like the IBM Conservative Risk Fund, the fund does not buy securities directly; instead, it invests in five IBM 401(k) Plan funds: "[1] the Total Bond Market Fund, [2] the High Yield & Emerging Markets Bond Fund, [3] the Global Real Estate Stock Index Fund, [4] the Total Stock Market Index Fund, and [5] the Total International Stock Market Index Fund." *Id.*

161. The IBM Risk Series have the only target risk funds available on the Plan. Participants who want to pursue a target risk investment strategy have no choice other than to invest in the IBM Risk Series. The IBM Risk Series are advised by the Investment Committee and the IBM Manager.

162. Like TDFs, each of the funds in the IBM Risk Series are actively managed funds and it is expected that the funds' manager will readjust allocation and investment strategies in response to market trends, outlook and evolving analyses.

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38 *Id.* at 29-30.

39 *Id.* at 31-32.

163. Based on publicly available documents, as of December 31, 2024, the Plan invested at least $3.22 billion in the IBM Risk Series.

1. Defendants' "Custom Benchmarks" Used to Analyze the Performance of the IBM Risk Series Are Insufficient

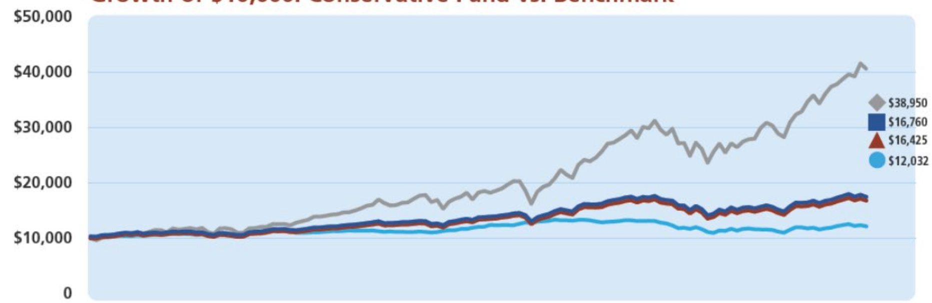
164. When considering whether to retain a certain target risk fund in a plan, a prudent fiduciary would evaluate that fund's risk and return characteristics as compared to the entire universe of comparable funds available based on qualitative and quantitative metrics.

165. IBM utilized a custom IBM benchmark to analyze the performance of each of the funds within the IBM Risk Series—specifically, the benchmark for: (i) the IBM Conservative Risk Fund is named the "Conservative Composite Index"; (ii) the IBM Moderate Risk Fund is named the "Moderate Composite Index"; and (iii) the IBM Aggressive Risk Fund is named the "Aggressive Composite Index." Each of these benchmarks are described as a "hypothetical combination of unmanaged indices reflecting the fund's target asset allocation."[40]

166. Following are charts from IBM's fund flyer documents demonstrating the relative performance of the Conservative Composite Index to the IBM Conservative Risk Fund:

[40] *Id.* at 27-31.

Growth of $10,000: Conservative Fund vs. Benchmark



Calendar Year Performance % Return	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Conservative Fund	5.70	-1.48	7.51	10.88	-4.10	17.04	11.51	8.98	-15.73	10.58	6.23
Conservative Composite Index(6)(9)	5.62	-1.56	7.26	10.64	-4.12	17.09	10.60	8.65	-15.75	10.43	6.07
Standard & Poor's® 500 Index(7)(9)	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29	25.02
Bloomberg US Aggregate Bond Index (8)(9)	5.97	0.55	2.65	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25

Trailing Time Period Performance(5)

% Total Return as of 12/31/24	3 Mos	6 Mos	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception of Fund	Inception Date: 8/1/96
Conservative Fund	-2.80	3.16	6.23	-0.34	3.77	4.72	6.20	
Benchmark: Conservative Composite Index(6)(9)	-2.75	3.12	6.07	-0.44	3.47	4.52	6.09	

167. The fact that the IBM Conservative Risk Fund purportedly consistently outperformed this custom "benchmark," and fully outperformed it on a 6 month, 1-year, 3-year, 5-year, and 10-year basis, and since the fund's inception. Defendants administer these custom benchmarks, which are not used or recognized outside this specific context, and which can be easily manipulated by Defendants to manufacture a performance and measure the benefits the IBM Risk Series purportedly provide.

168. As with IBM's TDF benchmarks, each of the benchmarks used for the Target Risk Series merely mirror the overall strategy of IBM Conservative Risk Fund, IBM Moderate Risk Fund or the IBM Aggressive Risk Fund. Stated otherwise, at best, these "benchmarks" merely compare the IBM Risk Series' managers ability to implement their own strategies rather than compare the series' performance with actual peer comparator / competitor funds. Importantly,

IBM does not disclose the "unmanaged indices reflecting the fund's target asset allocation" used for the IBM Risk Series.

169. In short, IBM's custom benchmark for the IBM Risk Series should not be relied upon.[41] Accordingly, Plaintiffs do not use or refer to the IBM custom benchmarks; rather, as detailed below, Plaintiffs have identified multiple benchmarks and comparator funds as meaningful benchmarks to gauge the performance of the IBM Risk Series. Each of these benchmarks provides a sound basis for comparison to the IBM Risk Series.

170. The IBM Risk Series' performance is assessed based on the corresponding Morningstar Category of each of its funds, as well as four peers selected from major market vendors and filtered by similar characteristics, such as size, category, and risk ratio. To determine the characterization of underperformance, as detailed below, Plaintiffs adopt a criterion of consecutive years of trailing 3, 5, and 10-years of underperformance as well as a cumulative basis compounded over time.

2. <u>Meaningful Benchmarks to Compare the Investment Performance of the IBM Risk Series</u>

a. Morningstar Risk Categories

171. As noted, Morningstar Category is assigned by placing specific funds into peer groups based on their holdings. Funds are placed in a Morningstar Category based on their

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[41] As noted, the Department of Labor rejects the use of custom benchmarks as "benchmarks are more likely to be helpful when they are not subject to manipulation and are recognizable and understandable to the average plan participant, as is the case with broad-based indices contemplated by Instruction 5 to Item 27(b)(7) of Form N-1A." *See* Fiduciary Requirements for Disclosure in Participant-Directed Individual Account Plans, 75 Fed. Reg. 64910, 64916-64917 (Oct. 20, 2010). For this reason, the Department mandates benchmarks be a "broad-based securities market index" and that such not be "administered by an affiliate of the investment issuer, its investment adviser, or a principal underwriter, unless the index is widely recognized and used." 29 C.F.R. § 2550.404a-5.

portfolio statistics and compositions over the prior three years. As a composite of grouped together funds based on objective measures, the overall performance of funds within a Morningstar Risk Category as compared to the performance of the funds within the IBM Risk Series represent an appropriate, meaningful benchmark comparator for each of the funds within the IBM Risk Series.

172. The IBM Conservative Risk Fund was placed within the "Moderate Allocation" Morningstar Category from 2014 through 2020, and within the "Moderately Conservative Allocation" Morningstar Category since 2021.[42] Accordingly, Plaintiffs use performance metrics for indices for these categories of funds as a comparator for the IBM Conservative Risk Fund—*i.e.*, the "Morningstar Conservative Risk Benchmark" refers to the Morningstar Moderate Allocation Target Risk Index for the years 2014-2020, and the Morningstar Moderately Conservative Target Risk Index for the years 2021-2024.

173. The IBM Moderate Risk Fund has been placed within the "Moderate Allocation" Morningstar Category throughout the relevant time period. Accordingly, Plaintiffs use performance metrics for the Morningstar Moderate Allocation Target Risk Index (the "Morningstar Moderate Risk Benchmark") as a comparator for the IBM Moderate Risk Fund.

174. The IBM Aggressive Risk Fund has been placed within the "Aggressive Allocation" Morningstar Category throughout the relevant time period. Accordingly, Plaintiffs use performance metrics for the Morningstar Aggressive Target Risk Index (the "Morningstar Aggressive Risk Benchmark" and together with the Morningstar Conservative Comparator and

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[42] This change was due in part to the fact that the IBM Conservative Risk Fund used to have a "target allocation" of "50% stocks and 50% bonds" and that strategy was changed to "40% stocks and 60% bonds." *Compare Index to the Fund Flyers Second Half of 2020*, *available at* https://cdn.sanity.io/files/o4w5shhb/production/c422930f6e0c93a1810c1713935e74a92acb9236.pdf (the "2020 Plan Index"), at 27, *with* 2024 Plan Index, at 27.

Morningstar Moderate Comparator, the "Morningstar Risk Comparators") as a comparator for the IBM Aggressive Risk Fund.

b. Comparator Risk Funds

175. All target risk funds are designed to achieve the highest total return consistent with a chosen level of risk, *i.e.*, two aggressive risk funds are both aggressively seeking high returns with a strategy of more exposure to equities and less to bonds.

176. Similarly, all target risk funds share similar risks such as allocation risks and the fund manager's investment strategies and decisions.

177. Plaintiffs have identified four comparator funds for each of the funds within the IBM Risk Series. These comparator funds are offered by major market vendors and were selected based on their similar characteristics to the funds within the IBM Risk Series—characteristics such as size, category, and risk ratio. Had Defendants opted to replace the IBM Risk Series, they likely would have worked with one of the comparator funds listed.

178. Additionally, Morningstar has classified each of these comparator funds within the same "Morningstar Category" as the respective funds within the IBM Risk Series. *See, e.g.*, *Snyder*, 2021 U.S. Dist. LEXIS 230878, at *12.

179. For each fund within the IBM Risk Series, Plaintiffs have selected the following comparator funds:

Fund	Comparator Risk Funds
IBM Conservative Risk Fund	American Funds Cnsrv Gr & Inc R-6 RINGX ("Am. Funds Cons.")
	BlackRock 40/60 Target Allocation Instl BIMPX ("BLK Cons.")
	Empower Moderately Cnsrv Pfl Instl MXJUX ("Emp. Cons.")

Fund	Comparator Risk Funds
	Vanguard Wellesley® Income Inv VWINX (“Vang. Cons”)[43]
IBM Moderate Risk Fund	Fidelity Advisor Balanced I FAIOX (“Fid. Mod.”)
	American Funds Moderate Gr & Inc R-5 RBAFX (“Am. Funds Mod.”)
	T. Rowe Price Balanced RPBAX (T. Rowe Mod.”)
	Vanguard Wellington™ Inv VWELX (“Vang. Mod.”)[44]
IBM Aggressive Risk Fund	American Funds Growth Portfolio R6 RGWGX (“Am. Funds Agg.”)
	Fidelity Advisor Asset Manager 85% I FEYIX (“Fid. Agg.”)
	JPMorgan Investor Growth I ONIFX (“JPM Agg.”)
	MFS Aggressive Growth Allocation I MIAGX (“MFS Agg.”)[45]

180. Based on the similarities of the Comparator Conservative Risk Funds, Comparator Moderate Risk Funds, and Comparator Aggressive Risk Funds’ (collectively, the “Comparator Risk Funds”) structures and Morningstar’s inclusion of each in the same Morningstar Categories as the funds within the IBM Risk Series, the Comparator Risk Funds represent meaningful comparators to the IBM Risk Series. When combined with the Morningstar Risk Comparators, Plaintiffs have identified meaningful benchmarks that provide a sound basis of comparison to the IBM Risk Series.

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43 As used herein, the term “Comparator Conservative Risk Funds” refers collectively to: (1) Am. Funds Cons., (2) BLK Cons., (3) Emp. Cons., and (4) Vang. Cons.

44 As used herein, the term “Comparator Moderate Risk Funds” refers collectively to: (1) Fid. Mod., (2) Am. Funds Mod., (3) T. Rowe Mod., and (4) Vang. Mod.

45 As used herein, the term “Comparator Aggressive Risk Funds” refers collectively to: (1) Am. Funds Agg., (2) Fid. Agg., (3) JPM Agg., and (4) MFS Agg.

181. Furthermore, the Comparator Risk Funds' asset allocations closely mirror that of the IBM Risk Series. For example, the IBM Conservative Risk Fund targets an approximate 40% equity and 60% fixed-income mix. As of August 31, 2025, the BlackRock 40/60 Target Allocation Fund (BIMPX) maintained a composition of 39.7% equities and 58.6% bonds, aligning almost exactly with the IBM Conservative Fund's allocation target. Similarly, the Empower Moderately Conservative Portfolio (MXJUX), as of June 30, 2025, had an allocation of 45.4% in equities with the remainder distributed among bonds and other investment vehicles. The Vanguard Wellesley Income Fund (VWINX), also as of June 30, 2025, held 37.9% in equities and 61.4% in bonds, nearly replicating the IBM fund's target structure. Lastly, the American Funds Conservative Growth and Income Fund (RINGX) demonstrated a balanced composition of 49.1% in equities, 45.3% in bonds, and 4.8% in cash, indicating a slightly more equity-oriented but still comparably conservative investment approach. Collectively, these allocation patterns confirm that the Comparator Conservative Risk Funds operate within the same strategic risk band as the IBM Conservative Risk Fund, providing a reliable and meaningful basis for performance comparison.[46]

182. Moreover, the Comparator Moderate Risk Funds identified for the IBM Moderate Risk Fund exhibit asset allocations that align closely with the IBM fund's 65% equity and 35% fixed-income target. As of July 31, 2025, the Fidelity Advisor Balanced Fund (FBAUX) maintained a portfolio composition of approximately 64.1% in equities and 36.2% in bonds, reflecting a near-identical risk profile to that of the IBM Moderate Risk Fund. Similarly, the American Funds Moderate Growth and Income Fund (RBAFX) held 65.7% in stocks, 28.4% in bonds, and 4.6% in cash, as of June 30, 2025, demonstrating a comparable allocation with only

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[46] Asset collection data for the Comparator Risk Funds are derived from Morningstar reports current as of mid-2025.

minor variation toward liquidity holdings. The T. Rowe Price Balanced Fund (RPBAX) likewise, as of August 31, 2025, held 64.6% in equities and 32.0% in bonds. And, the Vanguard Wellington™ Fund (VWELX), as of June 30, 2025, maintained a 66.1% equity and 33.1% fixed-income allocation, tracking the same moderate-risk structure.

183. Additionally, the Comparator Aggressive Risk Funds for the IBM Aggressive Risk Fund exhibit equity-heavy allocations that closely mirror the IBM fund's target structure of approximately 90% equities and 10% fixed-income investments. As of June 30, 2025, the American Funds Growth Portfolio R6 (RGWGX) maintained a portfolio composition of 95.6% in stocks, 0% in bonds, and 3.8% in cash, positioning it squarely within the high-equity growth spectrum consistent with the IBM fund's strategy. Similarly, the Fidelity Advisor Asset Manager 85% I (FEYIX) held 87.8% in equities and 14.2% in bonds as of July 31, 2025, reflecting an allocation nearly identical to the IBM fund's long-term 90/10 equity-to-bond objective. The JPMorgan Investor Growth I Fund (ONIFX), as of July 31, 2025, held a composition of 85.3% equities and 11.3% bonds, demonstrating a similar aggressive posture with only slight fixed-income exposure for risk mitigation. Likewise, as of August 31, 2025, the MFS Aggressive Growth Allocation I Fund (MIAGX) maintained 92.8% in stocks and 3.6% in bonds, aligning closely with the IBM fund's growth-oriented allocation framework.

184. As discussed below, when evaluated against the Comparator Risk Funds, both individually and as a group, the returns of the IBM Risk Series paled in comparison to those of the readily available alternatives. Accordingly, a prudent fiduciary could not have reasonably concluded that retention of the IBM Risk Series was appropriate for the Plan.

3. The IBM Risk Series Consistently Underperformed as Compared to the Meaningful Benchmarks

185. As detailed below, each fund within the IBM Risk Series at issue have significantly underperformed both the Morningstar Category benchmarks and their peer Comparator Risk Funds on a trailing 3, 5, and 10-years basis and a cumulative basis.

a. The IBM Conservative Risk Fund

186. The IBM Conservative Risk Fund's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 10.a below illustrates the IBM Conservative Risk Fund's performance as compared to the Morningstar Conservative Risk Benchmark ("MS Cons.") based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 10.a
IBM Conservative Risk Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the MS Cons. Risk Comp.

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM Cons. Fund	5.7%	-1.48%	7.51%	10.88%	-4.1%	17.04%	11.51%	8.98%	-15.73%	10.58%	6.23%
MS Cons.	6.21%	-1.93%	7.34%	13.21%	-5.76%	19.23%	11.72%	8.24%	-13.31%	10.43%	7.88%
Alpha	-0.51%	0.45%	0.17%	-2.33%	1.66%	-2.19%	-0.21%	0.74%	-2.42%	0.15%	-1.65%
Trailing 3 years	-	-	0.11%	-1.72%	-0.54%	-2.88%	-0.78%	-1.67%	-1.90%	-1.55%	-3.89%
Trailing 5 years	-	-	-	-	-0.6%	-2.28%	-2.92%	-2.37%	-2.46%	-3.91%	-3.38%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-4.49%	-5.58%

187. Table 10.b illustrates the IBM Conservative Risk Fund's performance as compared to the Comparator Conservative Risk Funds based on: (i) yearly returns for the years 2014-2023;

(ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 10.b
IBM Conservative Risk Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator Risk Funds

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM Cons. Fund	5.7%	-1.48%	7.51%	10.88%	-4.1%	17.04%	11.51%	8.98%	-15.73%	10.58%	6.23%
Am.Funds Cons.	6.91%	-2.26%	10.43%	11.82%	-3.23%	16.23%	5.91%	13.38%	-8.39%	9.82%	9.58%
BLK Cons.	6.67%	0.78%	4.31%	11.77%	-3.8%	16.65%	14.74%	8.03%	-14.85%	12.13%	8.76%
Emp. Cons.	5.8%	-0.52%	7.61%	10.48%	-4.35%	14.8%	10.01%	9.48%	-10.48%	10.34%	6.8%
Am.Funds 2025 TDF	8.07%	1.28%	8.08%	10.2%	-2.57%	16.39%	8.45%	8.5%	-9.05%	7%	5.92%
Delta	-1.16%	-1.3%	-0.1%	-0.19%	-0.61%	1.02%	1.73%	-0.87%	-5.04%	0.76%	-1.54%
Trailing 3 years	-	-	-2.54%	-1.58%	-0.90%	0.22%	2.14%	1.88%	-4.23%	-5.15%	-5.79%
Trailing 5 years	-	-	-	-	-3.32%	-1.18%	1.85%	1.07%	-3.84%	-2.52%	-4.99%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-5.76%	-6.11%

188. Table 10.c below illustrates the IBM Conservative Risk Fund's cumulative compounded performance as compared to the Comparator Conservative Risk Funds and the Comparator Conservative Risk Funds and the Morningstar Conservative Comparator:

Table 10.c
IBM Conservative Risk Fund
Cumulative Compounded Performance vs. the Comparator Conservative Risk Funds and
MS Cons. Risk Comp.

Fund / TDI	**Cumulative Compounded Performance 2016 - 2024**[47]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM Cons.	60.96%	N/A
Am. Funds Cons.	83.86%	-22.91%
BLK Cons.	68.4%	-7.44%
Emp. Cons.	65.86%	-4.91%
Vang. Cons.	63.82%	-2.86%
Delta	70.49%	-9.53%
MS Cons.	70.52%	-9.57%

189. As of December 31, 2024, the assets in the IBM Conservative Risk Fund had an approximate value of $997 million. Assuming that amount resulted from a cumulative compound growth of 60.96%, the original amount in 2016 would have been approximately $619 million. Had $619 million been invested in one of the Comparator Conservative Risk Funds, its value at the start of 2025 would have been, on average, approximately $1.056 billion (or an increase in value for participants of approximately $59 million).

190. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the IBM Conservative Risk Fund and compared its performance to Morningstar Conservative Risk Benchmark or any of the Comparator Conservative Risk Funds.

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47 Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

191. A prudent fiduciary monitoring the IBM Conservative Risk Fund's performance would have compared the fund's returns to returns from the Morningstar Conservative Risk Benchmark and one or more of the Comparator Conservative Risk Funds identified in Table 10.b and Table 10.c.

192. When considering whether to retain a certain target risk fund in a plan, a prudent fiduciary would evaluate the fund's risk and return characteristics as compared to the entire universe of comparable available funds based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the IBM Conservative Risk Fund, or the IBM Risk Series as a whole, was appropriate for the Plan.

b. The IBM Moderate Risk Fund

193. The IBM Moderate Risk Fund's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 1a.a below illustrates the IBM Moderate Risk Fund's performance as compared to the Morningstar Moderate Risk Benchmark based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 11.a
IBM Moderate Risk Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the MS Mod. Risk Comp.

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM Mod. Fund	6.19%	-1.92%	8.4%	13.53%	-5.18%	19.42%	11.9%	12.13%	-17.08%	13.68%	9.46%
MS Mod.	6.21%	-1.93%	7.34%	13.21%	-5.76%	19.23%	11.72%	13.89%	-13.64%	13.78%	11.39%
Alpha	-0.02%	0.01%	1.06%	0.32%	0.58%	0.19%	0.18%	-1.76%	-3.44%	-0.1%	-1.93%
Trailing 3 years	-	-	1.05%	1.39%	1.97%	1.09%	0.95%	-1.4%	-4.97%	-5.23%	-5.4%

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Trailing 5 years	-	-	-	-	1.96%	2.18%	2.35%	-0.51%	-4.24%	-4.88%	-6.90%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-3.02%	-4.87%

194. Table 12.b illustrates the IBM Moderate Risk Fund's performance as compared to the Comparator Moderate Risk Funds based on: (i) yearly returns for the years 2014-2023; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 11.b
IBM Moderate Risk Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator Moderate Risk Funds

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM Mod. Fund	6.19%	-1.92%	8.4%	13.53%	-5.18%	19.42%	11.9%	12.13%	-17.08%	13.68%	9.46%
Fid. Mod.	10.13%	0.27%	7.22%	16.36%	-4.17%	24.09%	22.42%	18.18%	-18.25%	21.25%	15.71%
Am.Funds Mod.	6.86%	0.85%	6.2%	16.99%	-4.27%	19.8%	13.48%	14.15%	-13.31%	14.11%	11.64%
T. Rowe Mod.	5.97%	0.65%	5.92%	18.01%	-4.92%	20.74%	14.57%	13.36%	-17.26%	17.99%	11.84%
Vang. Mod.	9.82%	0.06%	11.01 %	14.72%	-3.42%	22.51%	10.6%	19.01%	-14.32%	14.33%	14.76%
Delta	-2.01%	-2.38%	0.81%	-2.99%	-0.99%	-2.37%	-3.37%	-4.05%	-1.3%	-3.24%	-4.03%
Trailing 3 years	-	-	-3.56%	-4.53%	-3.17%	-6.22%	-6.58%	-9.47%	-8.48%	-8.36%	-8.34%
Trailing 5 years	-	-	-	-	-7.36%	-7.70%	-8.64%	-13.04%	-11.52%	-13.54%	-15.01%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-19.90%	-21.56%

195. Table 11.c below illustrates the IBM Moderate Risk Fund's cumulative compounded performance as compared to the Comparator Moderate Risk Funds and the Morningstar Moderate Risk Benchmark:

Table 11.c
IBM Moderate Risk Fund
Cumulative Compounded Performance vs. the Comparator Moderate Risk Funds and MS Mod. Risk Comp.

Fund / Bench	**Cumulative Compounded Performance 2016 - 2024[48]**	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM Mod.	80.41%	N/A
Fid. Mod.	146.18%	-65.77%
Am. Funds Mod.	103.84%	-23.43%
T. Rowe Mod.	103.48%	-23.07%
Vang. Mod.	122.96%	-42.55%
Delta	119.12%	-38.7%
MS Mod.	90.16%	-9.74%

196. As of December 31, 2024, the assets in the IBM Moderate Risk Fund had an approximate value of $2.223 billion. 19 resulted from a cumulative compound growth of 80.41%, the original amount in 2016 would have been approximately $1.232 billion. Had $1.232 billion been invested in one of the Comparator Moderate Risk Funds, its value at the start of 2025 would have been, on average, approximately $2.699 billion (or an increase in value for participants of approximately $476 million).

197. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple

48 Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

analysis evaluating the IBM Moderate Risk Fund and compared its performance to the Comparator Moderate Risk Funds.

198. A prudent fiduciary monitoring the IBM Moderate Risk Fund's performance would have compared the vintage's returns to returns from the Morningstar Moderate Comparator and one or more of the Comparator Moderate Risk Funds identified in Table 11.b and Table 11.c.

199. When considering whether to retain a certain target risk fund in a plan, a prudent fiduciary would evaluate the fund's risk and return characteristics as compared to the entire universe of risk funds available based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the IBM Moderate Risk Fund, or the IBM Risk Series as a whole, was appropriate for the Plan.

c. The IBM Aggressive Risk Fund

200. The IBM Aggressive Risk Fund's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 12.a below illustrates the IBM Aggressive Risk Fund's performance as compared to the Morningstar Aggressive Comparator based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 12.a
IBM Aggressive Risk Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the MS Agg. Risk Comp.

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM Agg. Fund	6.77%	-2.36%	9.99%	18.13%	-7.19%	24.25%	12.46%	16.58%	-18.6%	17.76%	14.08%
MS Agg.	5.23%	-2.67%	11.33%	21.95%	-8.17%	25.91%	13.26%	17.30%	-15.93%	18.30%	12.50%
Alpha	1.54%	0.31%	-1.34%	-3.82%	0.98%	-1.66%	-0.80%	-0.72%	-2.67%	-0.54%	1.58%

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Trailing 3 years	-	-	0.49%	-4.81%	-4.18%	-4.49%	-1.49%	-3.15%	-4.14%	-3.89%	-1.66%
Trailing 5 years	-	-	-	-	-2.4%	-5.47%	-6.52%	-5.94%	-4.81%	-6.24%	-3.15%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-8.49%	-8.46%

201. Table 12.b illustrates the IBM Aggressive Risk Fund's performance as compared to the Comparator Aggressive Risk Funds based on: (i) yearly returns for the years 2014-2023; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 12.b
IBM Aggressive Risk Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs. the Comparator Agg. Risk Funds

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
IBM Agg. Fund	6.77%	-2.36%	9.99%	18.13%	-7.19%	24.25%	12.46%	16.58%	-18.6%	17.76%	14.08%
Am.Funds Agg.	6.11%	1.8%	7.85%	25.49%	-6.25%	27.65%	25.81%	18.95%	-26.61%	29.2%	20.61%
Fid. Agg.	5.89%	-0.62%	7.39%	22.25%	-9.29%	26.28%	19.26%	17.07%	-18.65%	19.01%	12.57%
JPM Agg.	9.27%	-1.11%	8.98%	21.33%	-8.62%	25.21%	20.06%	18.23%	-15.86%	19.22%	15.34%
MFS Agg.	3.91%	0.11%	7.51%	23.22%	-6.74%	29.96%	15.81%	19.15%	-16.9%	16.27%	12.11%
Delta	0.47%	-2.41%	2.06%	-4.94%	0.53%	-3.03%	-7.78%	-1.77%	0.9%	-3.17%	-1.08%
Trailing 3 years	-	-	0.13%	-5.29%	-2.47%	-7.32%	-10.09%	-12.15%	-8.59%	-4.02%	-3.34%
Trailing 5 years	-	-	-	-	-4.28%	-7.78%	-13.15%	-16.97%	-11.13%	-14.82%	-12.88%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-17.15%	-12.88%

202. Table 12.c below illustrates the IBM Aggressive Risk Fund's cumulative compounded performance as compared to the Comparator Aggressive Risk Funds and the Morningstar Aggressive Comparator:

Table 12.c
IBM Aggressive Risk Fund
Cumulative Compounded Performance vs. the Comparator Aggressive Risk Funds and the MS Agg. Risk Comp

Fund / Bench	**Cumulative Compounded Performance 2017 - 2024[49]**	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
IBM Agg.	95.30%	N/A
Am. Funds Agg.	157.02%	-61.72%
Fid. Agg.	113.08%	-17.78%
JPM Agg.	127.99%	-32.69%
MFS Agg.	123.22%	-27.92%
Delta	130.33%	-35.03%
MS Agg.	109.59%	-14.29%

203. As of December 31, 2024, the assets in the IBM Aggressive Risk Fund had an approximate value of $1.7 billion. Assuming that amount resulted from a cumulative compound growth of 95.3%, the original amount in 2017 would have been approximately $870 million. Had $870 million been invested in one of the Comparator Aggressive Risk Funds, its value at the start of 2025 would have been, on average, approximately $2.004 billion (or an increase in value for participants of approximately $304 million).

204. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple

[49] Plaintiffs calculate cumulative compound performance beginning with 2017 as that was the first year where there was underperformance on a trailing three-years basis.

analysis evaluating the IBM Aggressive Risk Fund and compared its performance to the Morningstar Aggressive Risk Benchmark and the Comparator Aggressive Risk Funds.

205. A prudent fiduciary monitoring the IBM Aggressive Risk Fund's performance would have compared the fund's returns to returns from the Morningstar Aggressive Risk Benchmark and one or more of the Comparator Aggressive Risk Funds identified in Table 12.b and Table 12.c.

206. When considering whether to retain a certain target risk fund in a plan, a prudent fiduciary would evaluate the fund's risk and return characteristics as compared to the entire universe of comparable funds based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the IBM Aggressive Risk Fund, or the IBM Risk Series as a whole, was appropriate for the Plan.

D. The Vanguard Funds Consistently Underperformed as Compared to Meaningful Benchmarks

207. As detailed below, the Vanguard Funds have significantly underperformed their respective Prospectus Benchmarks, and their peer Comparator Funds on a trailing 3, 5, and 10-years basis and a cumulative basis. Additionally, the Vanguard Mid Growth Fund has underperformed the Morningstar Mid Growth Benchmark applying these same metrics.

1. Meaningful Benchmarks to Compare the Investment Performance of the Vanguard Funds

a. *The Prospectus Benchmarks and Morningstar Benchmark*

208. Each of the Vanguard Funds have benchmarks for performance listed in their respective prospectuses.

209. The Vanguard Mid Growth Fund's prospectus lists its benchmark comparator as the Russell Mid Cap Growth Index (the "Mid Growth Prospectus Benchmark").[50]

210. The Vanguard Prime Core Fund's prospectus lists its benchmark comparator as the MSCI US Prime Market 750 Index (the "Prime Prospectus Benchmark").[51]

211. The Vanguard Div. Growth Fund's prospectus lists its benchmark comparator as the S&P U.S. Dividend Growers Index TR (the "Div. Growth Prospectus Benchmark,"[52] and together with the Mid Growth Prospectus Benchmark and Prime Prospectus Benchmark, the "Prospectus Benchmarks").

212. While the Prospectus Benchmarks are reasonable comparators to include in analyzing the performance of the Vanguard Funds, they are each an index and thus, not as directly applicable to assessing the respective fund's performance as the Comparator Vanguard Funds (defined below). Nevertheless, Plaintiffs include data and performance comparisons against these indices as well.

213. The Vanguard Mid Growth Fund is part of the Morningstar Category for Mid Growth, Plaintiffs include the Morningstar Category Mid-Cap Growth Index ("Morningstar Mid Growth Benchmark") as a comparator of performance. *See, e.g.*, *Gaines v. BDO USA, LLP*, 663 F. Supp. 3d 821, 829-30 (N.D. Ill. 2023) (accepting allegations of underperformance as compared to four funds "respective Morningstar fund categories" and in comparison to other funds in "the same fund category and . . . benchmarked to the same index").

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50 *See* https://advisors.vanguard.com/investments/products/vmgrx/vanguard-mid-cap-growth-fund.

51 *See* https://investor.vanguard.com/investment-products/mutual-funds/profile/vpccx.

52 *See* https://advisors.vanguard.com/investments/products/vdigx/vanguard-dividend-growth-fund.

b. Comparators to the Vanguard Funds

i. Comparators to the Vanguard Mid Growth Fund

214. The Vanguard Mid Growth Fund is designed for investors seeking exposure to long term capital appreciation through active investment in a mid-cap growth equity portfolio. The Vanguard Mid Growth Fund has been part of the Plan since at least 2014.

215. The Vanguard Mid Growth Fund is the only mid-cap growth fund available on the Plan. Participants who want to pursue a mid-cap growth investment strategy have no choice other than to invest in the Vanguard Mid Growth Fund.

216. According to Defendant IBM's 5500 filings, the Plan had approximately $59.5 million invested in the Vanguard Mid Growth Fund at the end of 2024.

217. The Vanguard Mid Growth Fund is an actively managed fund that invests primarily in equity stocks of mid-size domestic companies that the fund's managers purportedly believe have stronger earnings and revenue growth potential.

218. When considering whether to retain a certain fund in a plan, a prudent fiduciary would evaluate that fund's risk and return characteristics as compared to the entire universe of comparable funds available based on qualitative and quantitative metrics.

219. All U.S. focused mid-cap growth funds are designed to achieve the highest total return through primary investment in equity stocks of mid-size domestic companies that the fund's managers believe have strong profitability and revenue prospects. As such, these funds share similar risks such as risk associated with the fund manager's selection of securities to invest in, investment style risk, and risk attributable to higher exposure to the mid-cap entities.

220. Plaintiffs have identified four comparator funds for the Vanguard Mid Growth Fund. These comparator funds are offered by major market vendors and were selected based on their similar characteristics to Vanguard Mid Growth Fund—characteristics such as size, category,

and risk ratio. Had Defendants opted to replace the Vanguard Mid Growth Fund, they likely would have worked with one of the comparator funds listed.

221. Additionally, Morningstar has classified each of these comparator funds within the same "Morningstar Category" as the Vanguard Mid Growth Fund. *See, e.g.*, *Snyder*, 2021 U.S. Dist. LEXIS 230878, at *12 (finding "the Morningstar Comparators constitute meaningful benchmarks because they fall within the same universe, and incorporate similar purposes, asset allocations, and risk exposure as the [] TDFs"); *see also Dover v. Yanfeng US Auto. Interior Sys. I LLC*, 563 F. Supp. 3d 678, 688 (E.D. Mich. 2021) (denying motion to dismiss and noting "parties in similar ERISA actions routinely reference these [Morningstar] indexes, or expert testimony that cites these indexes, to allege a breach of duty") (collecting cases).

222. Plaintiffs have selected the following comparator funds for the Vanguard Mid Growth Fund:

Fund	Comparator Mid Growth Funds[53]
Vanguard Mid Growth Fund	Fidelity Growth Strategies FDEGX ("Fid. Mid.")
	BlackRock Mid-Cap Growth Equity Instl CMGIX ("BLK Mid.")
	Congress Mid Cap Growth Institutional IMIDX ("Con. Mid."
	Principal MidCap R6 PMAQX ("Principal Mid.")

223. Based on the similarities of the Comparator Mid Growth Funds' structures and Morningstar's inclusion of each of the Comparator Mid Growth Funds in the same Morningstar Category, the Comparator Mid Growth Funds represent meaningful comparators to the Vanguard

[53] The term "Comparator Mid Growth Funds" as used herein refers collectively to: (1) Fid. Mid., (2) BLK Mid., (3) Con. Mid., and (4) Principal Mid.

Mid Growth Fund. When combined with the Prospectus Benchmark and Morningstar Mid Cap Growth Benchmark, Plaintiffs have identified meaningful benchmarks that provide a sound basis of comparison to the Vanguard Mid Growth Fund.

224. Furthermore, the Comparator Mid Growth Funds' asset allocations and investment styles closely mirror that of the Vanguard Mid Growth Fund. According to Morningstar, the Vanguard Mid Growth Fund is classified in the Mid-Cap Growth category and benchmarked against the Morningstar Mid Growth Benchmark. As of June 30, 2025, the fund held 96.0% in equities, 0.0% in bonds, and 4.0% in cash. Its current investment style reflects a strong mid-cap focus, with 66.5% of holdings in mid-cap companies. Each of the Comparator Mid Growth Funds share comparable benchmarks, a nearly full equity allocation, and a pronounced mid-cap orientation. For example, Fidelity Growth Strategies (FDEGX) is in the same Morningstar category, benchmarked against the same Morningstar Mid Growth Benchmark, has an investment style with a mid-cap focus and, as of August 31, 2025, had an allocation of 99.9% in equities (with 69.6% of its holdings in mid-cap companies)—the remainder of its holdings are in cash. Similarly, the BlackRock Mid-Cap Growth Equity Instl (CMGIX) is in the same Morningstar category, benchmarked against the same Morningstar Mid Growth Benchmark, has an investment style with a strong mid-cap focus and, as of June 30, 2025, had an allocation of 99.8% in equities (with 76.4% of its holdings in mid-cap companies)—the remainder of its holdings are in cash. The Congress Mid Cap Growth Institutional (IMIDX) likewise, is in the same Morningstar category, benchmarked against the same Morningstar Mid Growth Benchmark, has an investment style with a mid-cap focus and, as of August 31, 2025, had an allocation of 98.6% in equities (with 72.5% of its holdings in mid-cap companies)—the remainder of its holdings are in cash. Lastly, the Principal MidCap R6 (PMAQX) is in the same Morningstar category, benchmarked against the same

Morningstar Mid Growth Benchmark, has an investment style with a mid-cap focus and, as of August 31, 2025, had an allocation of 99.8% in equities (with 69.1% of its holdings in mid-cap companies)—the remainder of its holdings are in cash.[54]

225. As discussed below, when evaluated against the Comparator Mid Growth Funds, both individually and as a group, the returns of the Vanguard Mid Growth Fund paled in comparison to those of the readily available alternatives. Accordingly, a prudent fiduciary could not have reasonably concluded that retention of the Vanguard Mid Growth Fund was appropriate for the Plan.

ii. Comparators to the Vanguard Prime Core Fund and Vanguard Div. Growth Fund

226. The Vanguard Prime Core Fund's prospectus states its "Investment Objective" as: "The Fund seeks to provide long-term capital appreciation." Its strategy is described as seeking to "provide long-term capital appreciation through investments in companies at attractive valuation levels," investing "across all industry sectors and market capitalizations," and seeking "stocks that offer a balance between reasonable valuations and attractive earnings-growth prospects."[55] The fund's prospectus describes the "principle risks" of investing in the fund as including:

- **Market Exposure**: "The Fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices."
- **Investment Style**: "The Fund is subject to investment style risk, which is the chance that returns from the types of stocks in which the Fund invests will trail returns from the overall stock market. Small-, mid-, and large-cap stocks each tend to go through cycles of doing better or worse than other segments of the stock market or the stock market in general. These periods have, in the past, lasted for as long as several years. Historically, small- and

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[54] Asset collection data for the Comparator Mid Growth Funds are derived from Morningstar reports current as of mid-2025.

[55] *See* https://investor.vanguard.com/investment-products/mutual-funds/profile/vpccx.

mid-cap stocks have been more volatile in price than large-cap stocks. The stock prices of small- and mid-size companies tend to experience greater volatility because, among other things, these companies tend to be more sensitive to changing economic conditions."; and

- **Manager Risk**: "The Fund is subject to manager risk, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective. In addition, significant investments in the health care and information technology sectors subject the Fund to proportionately higher exposure to the risks of these sectors."

227. Its prospectus identifies, among others, the follow additional risks:

- **Country Risk and Currency Risk**: "The fund may invest a limited portion, up to 25%, of its assets in foreign securities, which may include depositary receipts. Foreign securities may be traded on U.S. or foreign markets. To the extent that it owns foreign securities the Fund is subject to country risk and currency risk. *Country risk* is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries. In addition, the prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions. *Currency risk* is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates."

- **Derivatives Risk**: "The Fund may invest, to a limited extent, in derivatives. Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, a bond, or a currency), a physical asset (such as gold, oil, or wheat), a market index, or a reference rate. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of investments directly in the underlying securities or assets. Derivatives may be used as an alternate means to obtain economic exposure if the Fund is required to limit its investment in a particular issuer or industry. The Fund will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns."

228. Similarly, the Vanguard Div. Growth Fund's "Investment Objective" is to "provide, primarily, a growing stream of income over time and, secondarily, long-term capital appreciation and current income." Like the Vanguard Prime Core Fund, it has the same principal risks of market exposure, manager, and investment style.

229. Plaintiffs have identified four comparator funds for both the Vanguard Prime Core Fund and Vanguard Div. Growth Fund. These comparator funds are offered by major market vendors and were selected based on their similar characteristics to Vanguard Prime Core Fund and Vanguard Div. Growth Fund—characteristics such as investment objective, size, category, risks, and risk ratio.

230. One of these comparator funds is JPMorgan US Large Cap Core Plus I JLPSX ("JPM Core"). The JPM Core's prospectus explains that, like the Vanguard Prime Core Fund and Vanguard Div. Growth Funds, its risks include manager risk, market exposure risk, derivatives risk, and foreign securities risk, among others. Similar to the Vanguard Prime Core Fund permitting up to 25% of the fund to be invested in foreign securities, the JPM Core permits up to 20% of the fund to be invested in foreign securities. Additionally, Morningstar has classified the JPM Core as within the same "Morningstar Category" as both the Vanguard Prime Core Fund and the Vanguard Div. Growth Fund. *See, e.g.*, *Snyder*, 2021 U.S. Dist. LEXIS 230878, at *12; *see also Dover*, 563 F. Supp. 3d at 688 (collecting cases).

231. The T. Rowe Price All-Cap Opportunities Fund PRWAX ("T. Rowe All") is another comparator. Both the T. Rowe All and the Vanguard Prime Core Fund seek to provide long-term capital growth by investing in growth companies. Additionally, the T. Rowe All, Vanguard Prime Cord Fund, and Vanguard Div. Growth Fund are all subject to market exposure risks, manager risks, investment style risks.

232. Had Defendants opted to replace the Vanguard Prime Core Fund or the Vanguard Div. Growth Fund, they likely would have worked with one of the comparator funds listed. Plaintiffs have selected the following comparator funds for the Vanguard Prime Core Fund and Vanguard Div. Growth Fund:

Fund	Comparator Prime and Growth Funds[56]
Vanguard Prime Core Fund - Vanguard Div. Growth Fund	JPMorgan US Large Cap Core Plus I JLPSX ("JPM Core")
	DFA US Large Company I DFUSX ("DFA L.")
	T. Rowe Price All-Cap Opportunities Fund PRWAX ("T. Rowe All")
	Fidelity Contrafund FCNTX ("Fid. Cont")

233. The Comparator Prime and Growth Funds' benchmarks, asset allocations, and investment styles closely mirror that of both the Vanguard Prime Core Fund and Vanguard Div. Growth Fund. According to Morningstar, the Vanguard Prime Core Fund and Vanguard Div. Growth Fund are both classified in the Large Blend category and benchmarked against the Morningstar US Large-Md TR USD and S&P 500 TR USD Indexes (the "MS Prime and Div. Growth Benchmarks"). As of June 30, 2025, the Vanguard Prime Core Fund held 98.3% in equities, 0.0% in bonds, and 1.7% in cash. Its current investment style reflects a large-cap focus, with 37.9% of holdings in giant-cap companies, 31% in large-cap companies, and 22.8% in mid-cap companies. Similarly, as of June 30, 2025, the Vanguard Div. Growth Core Fund held 98.3% in equities, 0.0% in bonds, and 1.7% in cash. Its current investment style reflects a strong large-cap focus, with 31% of holdings in giant-cap companies, 60.9% in large-cap companies, and 8.1% in mid-cap companies.

234. Each of the Comparator Prime and Growth Funds share comparable benchmarks, a nearly full equity allocation, and a pronounced large-cap orientation. For example, JPM Core is benchmarked against the same MS Prime and Div. Growth Benchmarks, has an investment style

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56 The term "Comparator Prime and Growth Funds" as used herein refers collectively to: (1) JPM Core, (2) DFA L., (3) T. Rowe All, and (4) Fid. Cont.

with a large-cap focus and, as of July 31, 2025, had an allocation of 98.2% in equities and 1.8% in cash, with 41.7% of its holdings in giant-cap companies, 37% in large-cap companies, and 20.7% in mid-cap companies. Similarly, the DFA US Large Company I (DFUSX) is benchmarked against the same MS Prime and Div. Growth Benchmarks, has an investment style with a large-cap focus and, as of August 31, 2025, had an allocation of 99.9% in equities, 0.0% in bonds, and 0.1% in cash, with 46.7% of its holdings in giant-cap companies, 34.5% in large-cap companies, and 17.9% in mid-cap companies. The T. Rowe All likewise, has an investment style with a large-cap focus and, as of August 31, 2025, had an allocation of 97.6% in equities, 0.0% in bonds, and 1.5% in cash, with 48.8% of its holdings in giant-cap companies, 30.8% in large-cap companies, and 12.2% in mid-cap companies. Lastly, the Fidelity Contrafund (FCNTX) also has an investment style with a large-cap focus and, as of August 31, 2025, had an allocation of 95.1% in equities, 0.0% in bonds, and 2% in cash, with 68.8% of its holdings in giant-cap companies, 21.8% in large-cap companies, and 8.7% in mid-cap companies.[57]

235. Based on the similarities of the Comparator Prime Funds' structures, objectives, strategies, risks, and/or their inclusion in the same Morningstar Category, the Comparator Prime and Growth Funds represent meaningful comparators to the Vanguard Prime Core Fund and Vanguard Div. Growth Fund. When combined with Prime Prospectus Benchmark and Div. Growth Prospectus Benchmark, Plaintiffs have identified meaningful benchmarks that provide a sound basis of comparison to the Vanguard Prime Core Fund and Vanguard Div. Growth Fund.

236. As discussed below, when evaluated against the Comparator Prime and Growth Funds, both individually and as a group, the returns of the Vanguard Prime Core Fund and the

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57 Asset collection data for the Comparator Prime and Growth Funds are derived from Morningstar reports current as of mid-2025.

Vanguard Div. Growth Fund paled in comparison to those of the readily available alternatives. Accordingly, a prudent fiduciary could not have reasonably concluded that retention of the Vanguard Prime Core Fund and Vanguard Div. Growth Fund was appropriate for the Plan.

2. The Vanguard Funds' Chronic Underperformance

237. As noted, each of the Vanguard Funds have significantly underperformed their respective Prospectus Benchmarks, and their peer Comparator Funds on a trailing 3, 5, and 10-years basis and a cumulative basis.

a. *The Vanguard Mid Growth Fund Consistently Underperformed as Compared to the Meaningful Benchmarks*

238. As detailed below, the Vanguard Mid Growth Fund has significantly underperformed both the Morningstar Mid Growth Benchmark, Mid Growth Prospectus Benchmark, and its peer Comparator Mid Growth Funds on a trailing 3, 5, and 10-years basis and a cumulative basis.

239. The Vanguard Mid Growth Fund's underperformance has undermined the retirement savings of participants in the Plan since at least 2014. Table 13.a below illustrates the Vanguard Mid Growth Fund's performance as compared to the Morningstar Mid Growth Comparator and the Prospectus Benchmark based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for 2023-2024:

Table 13.a
Vanguard Mid Growth Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs.
the Prospectus & Morningstar Mid Growth Benchmarks

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Vang. Mid Gr.	10.86%	0.21%	0.44%	22.01%	-3.29%	32.07%	33.41%	9.77%	-30.09%	24.08%	17.81%

Fund / TDI	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Pros. Bench.	11.9%	-0.2%	7.33%	25.27%	-4.75%	35.47%	35.59%	12.73%	-26.72%	25.87%	22.1%
Alpha	-1.04%	0.41%	-6.89%	-3.26%	1.46%	-3.4%	-2.18%	-2.96%	-3.37%	-1.79%	-4.29%
Trailing 3 years	-	-	-7.48%	-9.56%	-8.61%	-5.18%	-4.13%	-8.30%	-8.27%	-7.91%	-9.17%
Trailing 5 years	-	-	-	-	-9.18%	-11.35%	-13.64%	-9.99%	-10%	-12.98%	-13.78%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-20.97%	-23.57%
MS Mid.	7%	-0.95%	6.03%	23.91%	-6.65%	32.52%	39.26%	13.05%	-27.79%	21.37%	16.47%
Alpha	3.86%	1.16%	-5.59%	-1.9%	3.36%	-0.45%	-5.85%	-3.28%	-2.3%	2.71%	1.34%
Trailing 3 years	-	-	-0.81%	-6.31%	-4.27%	0.94%	-3.12%	-9.35%	-11.03%	-2.94%	1.69%
Trailing 5 years	-	-	-	-	0.58%	-3.60%	-10.28%	-8.08%	-8.46%	-9.03%	-7.40%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-8.5%	-10.72%

240. Table 13.b illustrates the Vanguard Mid Growth Fund's performance as compared to the Comparator Mid Growth Funds based on: (i) yearly returns for the years 2014-2024; (ii) 3-year trailing returns for the years 2016-2024; (iii) 5-year trailing returns for the years 2018-2024; and (iv) 10-year trailing return for the years 2023-2024:

Table 13.b
Vanguard Mid Growth Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs.
the Comparator Mid Growth Funds

Fund	**Annual Performance**										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Vang Mid-Gr	10.86%	0.21%	0.44%	22.01%	-3.29%	32.07%	33.41%	9.77%	-30.09%	24.08%	17.81%
Fid. Mid Gr.	13.69%	3.17%	2.72%	21.5%	-6.96%	36.59%	29.41%	21.43%	-26.5%	20.93%	26.58%
BLK Mid Gr.	6.37%	6.87%	3.04%	34.66%	2.86%	36.19%	46.13%	14.49%	-37.36%	28.24%	12.44%
Con. Mid Gr.	11.49%	0.1%	13.38 %	15.91%	-5.01%	34.46%	30.61%	29.59%	-26.91%	16.14%	4.53%
Principal Mid Gr.	12.47%	1.31%	10.07%	25.4%	-6.62%	43.08%	18.38%	25.39%	-23.11%	25.97%	20.1%

Fund	Annual Performance										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Delta	-0.15%	-2.65%	-6.86%	-2.36%	0.64%	-5.51%	2.28%	-12.96%	-1.62%	1.26%	1.9%
Trailing 3 years	-	-	-9.46%	-11.47%	-8.47%	-7.14%	-2.73%	-15.87%	-12.42%	-13.28%	1.51%
Trailing 5 years	-	-	-	-	-11%	-15.81%	-11.55%	-17.33%	-16.71%	-16.20%	-9.63%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-25.44%	-23.92%

241. Table 13.c below illustrates the Vanguard Mid Growth Fund's cumulative compounded performance as compared to the Comparator Mid Growth Funds, the Prospectus Benchmark, and the Morningstar Mid Growth Benchmark:

Table 13.c
Vanguard Mid Growth Fund
Cumulative Compounded Performance vs. the Comparator Mid Growth Funds, and the Prospectus Benchmark, and the Morningstar Mid Growth Benchmark

Fund / TDI	Cumulative Compounded Performance 2016 - 2024[58]	
	Cumulative Compound Performance	Underperformance vs. Comparator / TDI
Vanguard Mid-Gr.	134.25%	N/A
Fid. Mid Gr.	180.41%	-46.17%
BLK Mid Gr.	193.72%	-59.48%
Con. Mid Gr.	152.09%	-17.84%
Principal Mid Gr.	218.43%	-84.19%
Delta	186.17%	-51.92%
Prospectus Benchmark	198.65%	-64.41%
MS Mid. Gr. Benchmark	161.19%	-26.98%

[58] Plaintiffs calculate cumulative compound performance beginning with 2016 as that was the first year where there was underperformance on a trailing three-years basis.

242. As of December 31, 2024, the assets in the Vanguard Mid Growth Fund had an approximate value of $59.4 million. Assuming that amount resulted from a cumulative compound growth of 134.25%, the original amount in 2016 would have been approximately $25 million. Had $25 million been invested in one of the Comparator Mid Growth Funds, its value at the start of 2025 would have been, on average, approximately $72 million (or an increase in value for participants of approximately $13 million).

243. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the Vanguard Mid Growth Fund and compared its performance to Prospectus Benchmark, Morningstar Mid Growth Benchmark, or any one of the Comparator Mid Growth Funds.

244. A prudent fiduciary monitoring the Vanguard Mid Growth Fund's performance would have compared the fund's returns to returns from the Prospectus Benchmark, Morningstar Mid Growth Benchmark and one or more of the Comparator Mid Growth Funds identified in Table 13.b and Table 13.c.

245. When considering whether to retain a certain fund in a plan, a prudent fiduciary would evaluate the fund's risk and return characteristics as compared to the entire universe of comparable available funds based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the Vanguard Mid Growth Fund was appropriate for the Plan.

b. *The Vanguard Prime Core Fund Consistently Underperformed as Compared to the Meaningful Benchmarks*

246. As detailed below, the Vanguard Prime Core Fund has significantly underperformed both the Prime Prospectus Benchmark, and its peer Comparator Prime and Growth Funds on a trailing 3, 5, and 10-years basis and a cumulative basis.

247. The Vanguard Prime Core Fund's underperformance has undermined the retirement savings of participants in the Plan since at least 2015. Table 14.a below illustrates the Vanguard Prime Core Fund's performance as compared to the Prime Prospectus Benchmark based on: (i) yearly returns for the years 2015-2024; (ii) 3-year trailing returns for the years 2017-2024; (iii) 5-year trailing returns for the years 2019-2024; and (iv) 10-year trailing return for 2024:

Table 14.a
Vanguard Prime Core Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs.
the Prime Prospectus Benchmark

Fund / Pros.	**Annual Performance**									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Vang. Prime.	0.94%	12.35%	26.23%	-4.9%	27.7%	12.09%	24.42%	-12.37%	23.51%	12.94%
Pros. Bench.	1.22%	11.72%	21.97%	-4.61%	31.65%	21.26%	26.63%	-19.37%	26.93%	24.85%
Alpha	-0.28%	0.63%	4.26%	-0.29%	-3.95%	-9.17%	-2.21%	7%	-3.42%	-11.91%
Trailing 3 years	-	-	4.62%	4.6%	-0.15%	-13.01%	-14.69%	-4.96%	1.05%	-8.97%
Trailing 5 years	-	-	-	-	0.19%	-8.73%	-11.31%	-8.97%	-11.83%	-19.14%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-18.98%

248. Table 14.b illustrates the Vanguard Prime Core Fund's performance as compared to the Comparator Prime and Growth Funds based on: (i) yearly returns for the years 2015-2024; (ii) 3-year trailing returns for the years 2017-2024; (iii) 5-year trailing returns for the years 2019-2024; and (iv) 10-year trailing return for the year 2024:

Table 14.b

Vanguard Prime Core Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs.
the Comparator Prime and Growth Funds

Fund	**Annual Performance**									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Vang Prime	0.94%	12.35%	26.23%	-4.9%	27.7%	12.09%	24.42%	-12.37%	23.51%	12.94%
JPM Core	-0.27%	9.80%	21.48%	-7.24%	29.78 %	26.17%	29.20%	-18.5%	29.82%	35.97%
DFA L.	1.38%	11.9%	21.73%	-4.43%	31.42 %	18.40%	28.60%	-18.19%	26.25%	24.91%
T. Rowe All	8.8%	3.23%	27.67%	-2.09%	31.90 %	35.86%	20.45%	-29.91%	36.74%	25.19%
Fid. Cont	6.46%	3.36%	32.21%	-2.13%	29.98 %	32.58%	24.36%	-28.26%	39.33%	35.97%
Delta	-3.15%	5.28%	0.46%	-0.93%	-3.07%	-16.16%	-1.23%	11.35%	-9.52%	-17.57%
Trailing 3 years	-	-	2.42%	4.77%	-3.34%	-19.49%	-19.73%	-7.8%	-0.5%	-16.96%
Trailing 5 years	-	-	-	-	-1.64%	-14.85%	-20.12%	-11.46%	-19.14%	-31.23%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-29.09%

249. Table 14.c below illustrates the Vanguard Prime Core Fund's cumulative compounded performance as compared to the Comparator Prime and Growth Funds and the Prime Prospectus Benchmark:

Table 14.c
Vanguard Prime Core Fund
Cumulative Compounded Performance vs. the Comparator Prime and Growth Funds, and the Prime Prospectus Benchmark

Fund / Benchmark	**Cumulative Compounded Performance 2019 - 2024**[59]	
	Cumulative Compound Performance	Underperformance vs. Comparator / Benchmark
Vanguard Prime	117.7%	N/A

[59] Plaintiffs calculate cumulative compound performance beginning with 2019 as that was the first year where there was underperformance on a trailing three-years basis.

Fund / Benchmark	**Cumulative Compounded Performance 2019 - 2024[59]**	
	Cumulative Compound Performance	Underperformance vs. Comparator / Benchmark
JPM Core	204.35%	-86.65%
DFA L.	158.16%	-40.46%
T. Rowe All	158.98%	-41.28%
Fid. Cont	191.26%	-73.57%
Delta	178.19%	-60.49%
Prospectus Benchmark	239.84%	-43.48%

250. As of December 31, 2024, the assets in the Vanguard Prime Core Fund had an approximate value of $120 million. Assuming that amount resulted from a cumulative compound growth of 117.7%, the original amount in 2019 would have been approximately $55 million. Had $55 million been invested in one of the Comparator Prime and Growth Funds, its value at the start of 2025 would have been, on average, approximately $153 million (or an increase in value for participants of approximately $33 million).

251. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the Vanguard Prime Core Fund and compared its performance to the Prime Prospectus Benchmark or any one of the Comparator Prime and Growth Funds.

252. A prudent fiduciary monitoring the Vanguard Prime Core Fund's performance would have compared the fund's returns to returns from the Prospectus Benchmark and one or more of the Comparator Prime and Growth Funds identified in Table 14.b and Table 14.c.

253. When considering whether to retain a certain fund in a plan, a prudent fiduciary would evaluate the fund's risk and return characteristics as compared to the entire universe of

comparable available funds based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the Vanguard Prime Core Fund was appropriate for the Plan.

c. *The Vanguard Div. Growth Fund Consistently Underperformed as Compared to the Meaningful Benchmarks*

254. As detailed below, the Vanguard Div. Growth Fund has significantly underperformed both its Prospectus Benchmark, and its peer Comparator Prime and Growth Funds on a trailing 3, 5, and 10-years basis and a cumulative basis.

255. The Vanguard Div. Growth Fund's underperformance has undermined the retirement savings of participants in the Plan since at least 2015. Table 15.a below illustrates the Vanguard Div. Growth Fund's performance as compared to the Div. Growth Prospectus Benchmark based on: (i) yearly returns for the years 2015-2024; (ii) 3-year trailing returns for the years 2017-2024; (iii) 5-year trailing returns for the years 2019-2024; and (iv) 10-year trailing return for 2024:

Table 15.a
Vanguard Div. Growth Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs.
the Div. Growth Prospectus Benchmark

Fund / Pros	**Annual Performance**									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Vang. Div. Gr.	2.62%	7.53%	19.33%	0.18%	31%	12.06%	24.84%	-4.88%	8.1%	9.03%
Pros. Bench.	-2.63%	13.22%	22.33%	-2.34%	29.8%	18.26%	24.22%	-9.7%	14.52%	17.07%
Alpha	5.25%	-5.69%	-3%	2.52%	1.11%	-6.2%	0.62%	4.82%	-6.42%	-8.04%
Trailing 3 years	-	-	-3.44%	-6.17%	0.63%	-2.57%	-4.47%	-0.76%	-0.98%	-9.64%
Trailing 5 years	-	-	-	-	0.19%	-11.26%	-4.95%	-2.87%	-6.07%	-15.22%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-15.03%

256. Table 15.b illustrates the Vanguard Div. Growth Fund's performance as compared to the Comparator Prime and Growth Funds based on: (i) yearly returns for the years 2015-2024; (ii) 3-year trailing returns for the years 2017-2024; (iii) 5-year trailing returns for the years 2019-2024; and (iv) 10-year trailing return for the year 2024:

Table 15.b
Vanguard Div. Growth Fund
Annual and 3-Year, 5-Year, and 10-Year Trailing Returns vs.
the Comparator Prime and Growth Funds

Fund	**Annual Performance**									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Vang Div.	2.62%	7.53%	19.33%	0.18%	31%	12.06%	24.84%	-4.88%	8.1%	9.03%
JPM Core	-0.27%	9.80%	21.48%	-7.24%	29.78%	26.17%	29.20%	-18.5%	29.82%	35.97%
DFA L.	1.38%	11.9%	21.73%	-4.43%	31.42%	18.40%	28.60%	-18.19%	26.25%	24.91%
T. Rowe All	8.8%	3.23%	27.67%	-2.09%	31.90%	35.86%	20.45%	-29.91%	36.74%	25.19%
Fid. Cont	6.46%	3.36%	32.21%	-2.13%	29.98%	32.58%	24.36%	-28.26%	39.33%	35.97%
Delta	-3.15%	5.28%	0.46%	-0.93%	-3.07%	-16.16%	-1.23%	11.35%	-9.52%	-17.57%
Trailing 3 years	-	-	-7.4%	-2.11%	-2.38%	-12.55%	-16.72%	-1.21%	-11.52%	-28.38%
Trailing 5 years	-	-	-	-	-3.38%	-17.81%	-18.85%	3.07%	-25.71%	-40.47%
Trailing 10 years	-	-	-	-	-	-	-	-	-	-42.48%

257. Table 15.c below illustrates the Vanguard Div. Growth Fund's cumulative compounded performance as compared to the Comparator Prime and Growth Funds and the Prime Prospectus Benchmark:

Table 15.c
Vanguard Div. Growth Fund
Cumulative Compounded Performance vs. the Comparator Prime and Growth Funds, and the
Div. Growth Prospectus Benchmark

Fund / Benchmark	Cumulative Compounded Performance 2017 - 2024[60]	
	Cumulative Compound Performance	Underperformance vs. Comparator / Benchmark
Vanguard Div	145.52%	N/A
JPM Core	225.2%	-79.68%
DFA L.	200.34%	-54.82%
T. Rowe All	223.73%	-78.21%
Fid. Cont	276.88%	-131.36%
Delta	231.53%	-86.02%
Prospectus Benchmark	175.87%	-30.35%

258. As of December 31, 2024, the assets in the Vanguard Div. Growth Fund had an approximate value of $275 million. Assuming that amount resulted from a cumulative compound growth of 145.52%, the original amount in 2017 would have been approximately $112 million. Had $112 million been invested in one of the Comparator Prime and Growth Funds, its value at the start of 2025 would have been, on average, approximately $371 million (or an increase in value for participants of approximately $96 million).

259. The foregoing return, 3, 5, and 10-year trailing return, and cumulative performance information is the information Defendants would have had available had they conducted a simple analysis evaluating the Vanguard Div. Growth Fund and compared its performance to the Div. Growth Prospectus Benchmark or any one of the Comparator Prime and Growth Funds.

60 Plaintiffs calculate cumulative compound performance beginning with 2017 as that was the first year where there was underperformance on a trailing three-years basis.

260. A prudent fiduciary monitoring the Vanguard Div. Growth Fund's performance would have compared the fund's returns to returns from the Div. Growth Prospectus Benchmark and one or more of the Comparator Prime and Growth Funds identified in Table 15.b and Table 15.c.

261. When considering whether to retain a certain fund in a plan, a prudent fiduciary would evaluate the fund's risk and return characteristics as compared to the entire universe of comparable available funds based on qualitative and quantitative metrics. A prudent fiduciary could not have reasonably concluded that retention of the Vanguard Div. Growth Fund was appropriate for the Plan.

E. Defendants Violated Their ERISA Fiduciary Duties by Failing to Timely Remove the Consistently Underperforming Subject Funds

262. Each of the Defendants is, or during the Class Period was, a fiduciary of the Plan under ERISA. Accordingly, Defendants were obligated to vigorously and independently investigate the merits of each of the investment options available to the Plan, using prudent methods in conducting such investigation. 29 U.S.C. §1104(a)(1)(B).

263. Defendants selected the IBM TDF Series and IBM Risk Series as investment options on the Plan in approximately 2008 and 1996, respectively, and have included the Vanguard Funds as investment option on the Plan since at least 2014. Since the Subject Funds were included as options, Defendants have pushed participants to invest in them—as evidenced by, *inter alia*, (i) the IBM Defendants explicitly encouraging participants to invest all of the funds in the "IBM Life Cycle Suite"—which is comprised of the IBM TDF Series and IBM Risk Series—with statements such as: "If you invest in an All-in-One Life Cycle fund, consider making it your primary investment. Owning other Plan funds in addition to one of these investments will impact the

overall asset allocation of your portfolio, and possibly your savings' ability to grow efficiently";[61] (ii) the IBM TDF Series being branded as the "IBM Retirement Fund Series"; (iii) the IBM TDF Series being the primary and default target date fund suite available to participants; (iv) participants in the Plan who did not select an investment option being automatically enrolled in the IBM TDF Series; (v) both the IBM TDF Series and the IBM Risk Series being managed by the IBM Manager; (vi) participants who wanted to invest in a target risk fund having no choice other than to invest in the IBM Risk Series; and (vii) participants who wanted to invest in a mid-cap growth fund having no other choice other than to invest in the Vanguard Mid Growth Fund.

264. Post-selection, as fiduciaries of the Plan, Defendants were responsible for monitoring the Subject Funds performance with the skill of a prudent expert to determine whether its investment performance was in line with a meaningful investment index and funds within a recognized peer universe.

265. As demonstrated, the Subject Funds have consistently underperformed their peer benchmarks on a trailing-three-years basis for up to nine consecutive years (2016-2024), on a trailing five-years-basis for up to seven consecutive years (2018-2024), on a trailing ten-years-basis for up to two years (2023-2024), and on a cumulative compounded basis. Indeed, if participants invested in the Subject Funds had invested in one of the Comparator Funds in 2024, they would have made significantly more by the start of 2025.

266. For example, if participants invested in the Subject Funds had invested their funds in one of the corresponding Comparator Funds in 2014 or 2015, by the start of 2025, those same amounts would have made, on average, approximately $1.9 billion more than those same funds

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[61] 2024 Plan Index, at 3.

made invested in the Subject Funds.[62] Had Defendants fulfilled their duty with the care and skill of a prudent fiduciary, they would have seen in real-time that the Subject Funds underperformed their benchmarks.

267. Despite years of underperformance and a marketplace teeming with hundreds of better performing investment options, Defendants did not remove the Subject Funds from the Plan.

268. The Defendants' decision to retain the Subject Funds was as imprudent as it was injurious to the Plan and its participants. Over a decade of underperformance in comparison to peer benchmarks is difficult, if not impossible, to justify.

269. Defendants breached their fiduciary duty of prudence by retaining the Subject Funds—resulting in a devastating impact on Plaintiffs' and their fellow participants' retirement accounts, simultaneously impairing the Plan's overall investment performance and wasting millions in retirement savings.

270. Any fiduciary would have seen that the poor performance of the IBM TDF Series, IBM Risk Series, and the Vanguard Funds warranted the selection of a new target date, risk, mid-cap growth, and large-blend options—particularly given that such underperformance was sustained for over a decade. However, IBM appears to have had an additional interest in keeping the IBM TDF Series and IBM Risk Series investment options in the Plan—its Investment Committee and/or the IBM Manager, serves as an "investment advisor" and/or "fund manager" to

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[62] This calculation uses the 2014 or 2015 estimated original investment amounts in each of the funds or vintages, *see supra* ¶¶ 97, 104, 111, 118, 125, 132, 139, 146, 153, 189, 196, 203, 242, 250, 258, calculates how those original amounts would have grown using the Comparator Funds' average performance data (*delta*) exhibited in Tables 1.c, 2.c, 3.c, 4.c, 5.c, 6.c, 7.c, 8.c, 9.c, 10.c, 11.c, 12.c, 13.c, 14.c, and 15.c ($15.316 billion), and subtracts the approximate value of the funds in the Subject Funds as of December 31, 2024 from that amount ($15.316 billion - $13.380 billion = $1.936 billion).

the IBM TDF Series and IBM Risk Series funds and consequently receives substantial direct and indirect compensation for providing investment advice and management services to the Plan's participants.

271. The Defendants' breaches have had a profound adverse effect on the Plan and its participants. The overall breadth and depth of the Subject Fund's underperformance raises a plausible inference that IBM's selection and monitoring process was tainted by a lack of competency and/or complete failure of effort.

CLASS ACTION ALLEGATIONS

272. Plaintiffs bring this action as a class action on behalf of all participants and beneficiaries of the Plan pursuant to Federal Rule of Civil Procedure 23(a), (b)(1), (b)(2) and/or (b)(3). Specifically, Plaintiffs bring this action on behalf of:

> All participants and beneficiaries of the Plan who, from October 31, 2019 through the date of judgment, invested in one or more of the:
>
> (i) following nine vintages of the IBM TDF Series:
> - (1) IBM Target Retirement 2020 Fund;
> - (2) IBM Target Retirement 2025 Fund;
> - (3) IBM Target Retirement 2030 Fund;
> - (4) IBM Target Retirement 2035 Fund;
> - (5) IBM Target Retirement 2040 Fund;
> - (6) IBM Target Retirement 2045 Fund;
> - (7) IBM Target Retirement 2050 Fund;
> - (8) IBM Target Retirement 2055 Fund;
> - (9) IBM Target Retirement 2060 Fund;
>
> (ii) IBM Conservative Risk Fund;
> (iii) IBM Moderate Risk Fund;
> (iv) IBM Aggressive Risk Fund;
> (v) Vanguard Mid-Cap Growth Fund;
> (vi) Vanguard Prime Core Fund; or
> (vii) Vanguard Dividend Growth Fund.
>
> The Class excludes Defendants, any officers and directors of IBM, at all relevant times or employees with responsibility for the Plan's investment or administrative functions, and members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

273. This action may be certified as a Class under Rule 23(a)(1) as a class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, prosecution of separate actions for these breaches of fiduciary duties by individual participants and beneficiaries would create the risk of inconsistent or varying adjudications that would establish incompatible standards of conduct for the IBM Defendants in respect to the discharge of their fiduciary duties to the Plan and personal liability to the Plan under 29 U.S.C. § 1109(a). Moreover, adjudications by individual participants and beneficiaries regarding the alleged breaches of fiduciary duties, and remedies for the Plan would, as a practical matter, be dispositive of the interests of the participants and beneficiaries not parties to the adjudication or would substantially impair or impede those participants' and beneficiaries' ability to protect their interests. Therefore, this action should be certified as a class action under Rule 23(b)(1)(A) or (B).

274. Additionally, or in the alternative, certification under Rule 23(b)(2) is appropriate because Defendants have acted or refused to act on grounds that apply generally to the Class, so that final injunctive relief or corresponding declaratory relief is appropriate respecting the Class as a whole. Plaintiffs seek reformation of the Plan to make it include more viable retirement investment options, which will benefit it and other participants in the Plan.

275. Additionally, or in the alternative, this action may be certified as a Class under Rule 23(b)(3). The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiffs at this time and can be ascertained only through appropriate discovery, Plaintiffs believe that there are approximately 150,000 members of the proposed Class. Members of the Class may be identified from records

maintained by IBM and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

276. Plaintiffs' claims are typical of the claims of the members of the Class as Plaintiffs were each participants during the Class Period and all participants in the Plan were harmed by Defendants' misconduct.

277. Plaintiffs will fairly and adequately protect the interests of the members of the Class as they each participated in the Plan during the Class Period, are committed to vigorous representation of the Class, and have retained counsel competent and experienced in class litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

278. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class because Defendants owed the same fiduciary duties to the Plan and all participants and beneficiaries and took a common course of actions and omissions as alleged herein as to the Plan, and not as to any individual participant, that affected all Class members through their participation in the Plan in the same way. Among the questions of law and fact common to the Class are:

(a) whether each of the Defendants are fiduciaries liable for the remedies provided by 29 U.S.C. §1109(a);

(b) whether the fiduciaries of the Plan breached their fiduciary duties to the Plan by employing an imprudent process for monitoring and evaluating Plan's investment options;

(c) whether Plaintiffs' claims of an imprudent process require similar inquiries and proof of the claims and therefore implicate the same set of concerns for all proposed members of the Class;

(d) what are the losses to the Plan resulting from each breach of fiduciary duty;

(e) what Plan-wide equitable and other relief the Court should impose in light of Defendants' breach of duties; and

(f) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

CAUSES OF ACTION

COUNT I

Breach of Duty of Prudence for Failing to Remove Imprudent Investments from the Plan Within a Reasonable Time
(Violation of ERISA, 29 U.S.C. § 1104)
(Against All Defendants)

279. All allegations set forth in the Complaint are realleged and incorporated herein by reference.

280. IBM used the Plan as a strategic and financial benefit to recruit and retain workers.

281. In joining IBM and subsequently enrolling in the Plan, employees trusted and relied on IBM's resources and expertise to construct and maintain a state-of-the-art retirement plan.

282. At all relevant times during the Class Period, Defendants acted as fiduciaries within the meaning of 29 U.S.C. § 1002(21)(A) by exercising authority and control with respect to the management of the Plan and their assets.

283. 29 U.S.C. § 1104(a)(1)(B) requires a plan fiduciary to act with the "care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

284. Thus, the scope of the fiduciary duties and responsibilities of Defendants include administering the Plan with the care, skill, diligence, and prudence required by ERISA. Defendants are responsible for evaluating and monitoring the Plan's investment options on an

ongoing basis, eliminating imprudent investments, and taking all necessary steps to ensure the Plan's assets are invested prudently.

285. Defendants breached their fiduciary duties by adopting an imprudent process for evaluating and monitoring investment options in the Plan. The faulty process resulted in the Plan's inclusion of a suite of target date funds (the IBM TDF Series), a suite of target risk funds (the IBM Risk Series), and a single mid-cap growth fund (Vanguard Mid Growth Fund)—all of which have exhibited chronic poor performance for nearly a decade. Defendants failed to remove the Subject Funds despite historical underperformance relative to meaningful benchmarks and relevant benchmark indices.

286. By failing to adequately consider better-performing investment products for the Plan, Defendants failed to discharge their duties with the care, skill, prudence, and diligence that a prudent fiduciary acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

287. Defendants' breach of fiduciary duty has substantially impaired the Plan's use, their values, and their investment performance for all Class Members.

288. As a direct and proximate result of Defendants' breaches of fiduciary duty, the Plan and its participants who invested in the IBM TDF Series, IBM Risk Series, or Vanguard Funds have suffered over 1.9 billion dollars of damages and lost-opportunity costs which continue to accrue and for which Defendants are jointly and severally liable pursuant to 29 U.S.C. §§ 1132(a)(2), 1132(a)(3), and 1109(a).

289. Each of the Defendants is liable to make good to the Plan the losses resulting from the aforementioned breaches, to restore to the Plan any profits resulting from the breaches of

fiduciary duties alleged in this Count and are subject to other equitable or remedial relief as appropriate.

290. Each Defendant also participated in the breach of the other IBM Defendants, knowing that such acts were a breach, and enabled the other Defendants to commit a breach by failing to lawfully discharge its own fiduciary duties. Each Defendant knew of the breach by the other Defendants yet failed to make any reasonable effort under the circumstances to remedy the breach. Thus, each Defendant is liable for the losses caused by the breach of its co-fiduciary duties under 29 U.S.C. § 1105(a).

COUNT II

Prohibited Transactions
(Violation of ERISA, 29 U.S.C. §§ 1106(a)(1)(D), 1106(b)(1))
(Against All Defendants)

291. All allegations set forth in the Complaint are realleged and incorporated herein by reference.

292. As set forth above, Defendants are fiduciaries of the Plan under ERISA. Their fiduciary status arises from their discretion, authority, and control over the administration, management, and disposition of the Plan and its assets, as well as from their provision of investment advice for a fee or other compensation concerning Plan funds or property. In addition, Defendants' authority and responsibility with respect to administering and managing the Plan and its retirement assets further establish their fiduciary obligations.

293. Defendants exercise control over the selection of funds offered as investment options to the Plan and its participants. They also provide investment advice for compensation regarding these options and, as described above, use their discretionary authority and responsibility in administering the Plan to obtain additional compensation through self-dealing.

294. As fiduciaries, Defendants were prohibited from causing the Plan to engage in any transaction that they knew, or should have known, would constitute a direct or indirect transfer of plan assets to a party in interest, for use by a party in interest, or to use for the benefit of a party in interest.

295. A "party in interest" is defined to include various plan insiders, including the plan's administrator, sponsor, and its officers, as well as entities "providing services to [the] plan." 29 U.S.C. §1002(14).

296. As fiduciaries, Defendants were further barred from engaging in certain transactions between themselves and the Plan under Section 1106(b): "A fiduciary with respect to a plan shall not—(1) deal with the assets of the plan in his own interest or for his own account; (2) in his individual or in any other capacity act in any transaction involving the plan on behalf of a party (or represent a party) whose interests are adverse to the interests of the plan or the interests of its participants or beneficiaries, or (3) receive any consideration for his own personal account from any party dealing with such plan in connection with a transaction involving the assets of the plan." 29 U.S.C. § 1106(b).

297. Defendants' retention of the IBM Manager as plan administrator, adviser, and fund manager for each vintage of the IBM TDF Series and each fund within the IBM Risk Series constitutes a prohibited transaction under 29 U.S.C. §§ 1106(a)(1)(D) and 1106(b)(1).

298. These arrangements are continuing and in violation of ERISA § 406(a), 29 U.S.C. § 1106(a), as the IBM Manager is both the Plan's administrator—and thus deemed a "party in interest"—and the fund manager of each vintage within the IBM TDF Series and each fund within the IBM Risk Series.

299. Additionally, or in the alternative, these arrangements are continuing and in violation of ERISA § 406(b)(1), 29 U.S.C. § 1106(b)(1), as Defendants are dealing with the assets of the Plan in their own interest and/or for their own account.

300. As a direct and proximate result of these prohibited transactions, the Plan and its participants who invested in the IBM TDF Series, IBM Risk Series, or Vanguard Funds have suffered over 1.9 billion dollars of damages and lost-opportunity costs for which Defendants are jointly and severally liable pursuant to 29 U.S.C. §§ 1132(a)(2), 1132(a)(3), and 1109(a).

301. Each of the Defendants is liable to make good to the Plan the losses resulting from the aforementioned breaches, to restore to the Plan any profits resulting from the breaches of fiduciary duties alleged in this Count, and are subject to other equitable or remedial relief as appropriate.

COUNT III
Failure to Monitor
(Against All Defendants)

302. All allegations set forth in the Complaint are realleged and incorporated herein by reference.

303. Defendants had a duty to monitor the performance of each individual to whom they delegated any fiduciary responsibilities. A monitoring fiduciary must ensure that the monitored fiduciaries are performing their fiduciary obligations, including those with respect to the investment and holding of the Plan's assets, and must take prompt and effective action to protect the Plan and participants when they are not.

304. To the extent any Defendant's fiduciary responsibilities were delegated to another fiduciary, such Defendant's monitoring duty included an obligation to ensure that any delegated tasks were being performed prudently and loyally.

305. Defendants breached their fiduciary monitoring duties by, among other things:

(a) failing to monitor their appointees, to evaluate their performance, or to have a system in place for doing so, and standing idly by as the Plan suffered enormous losses as a result of their appointees' imprudent actions and omissions with respect to the Plan;

(b) failing to monitor their appointees' fiduciary process, which would have alerted any prudent fiduciary to the potential breach because of the imprudent investment options in violation of ERISA;

(c) failing to ensure that the monitored fiduciaries had a prudent process in place for evaluating and ensuring that the investment options were prudent; and

(d) failing to remove appointees whose performance was inadequate in that they continued to allow imprudent investment options to remain in the Plan to the detriment of Plan's participants' retirement savings.

306. Each fiduciary who delegated its fiduciary responsibilities likewise breached its fiduciary monitoring duty by, among other things:

(a) failing to monitor its appointees, to evaluate their performance, or to have a system in place for doing so, and standing idly by as the Plan suffered enormous losses as a result of its appointees' imprudent actions and omissions with respect to the Plan;

(b) failing to monitor its appointees' fiduciary process, which would have alerted any prudent fiduciary to the potential breach because of the imprudent investment options in violation of ERISA;

(c) engaging in prohibited transactions in violation of ERISA;

(d) failing to implement a process to ensure that the appointees monitored the performance of Plan investments; and

(e) failing to remove appointees whose performance was inadequate in that they continued to allow imprudent investment options to remain in the Plan, all to the detriment of Plan participants' retirement savings.

307. As a direct result of these breaches of the fiduciary duty to monitor, the Plan suffered substantial losses. Had IBM and the other delegating fiduciaries prudently discharged their fiduciary monitoring duties; the Plan would not have suffered these losses.

PRAYER FOR RELIEF

For these reasons, Plaintiffs, on behalf of the Plan and all similarly situated Plan participants and beneficiaries, respectfully request that the Court:

i) find and adjudge that Defendants have breached their fiduciary duties, as described above;

ii) find and adjudge that Defendants are personally liable to make good to the Plan the losses to the Plan resulting from each breach of fiduciary duty, and to otherwise restore the Plan to the position it would have occupied but for the breaches of fiduciary duty;

iii) find and adjudge that Defendants are liable to the Plan for appropriate equitable relief, including but not limited to restitution and disgorgement;

iv) determine the method by which the Plan's losses under 29 U.S.C. § 1109(a) should be calculated;

v) order Defendants to provide all accountings necessary to determine the amounts Defendants must make good to the Plan under 29 U.S.C.§ 1109(a);

vi) remove the fiduciaries who have breached their fiduciary duties and enjoin them from future ERISA violations;

vii) impose surcharge against Defendants and in favor of the Plan all amounts involved in any transactions which such accounting reveals were improper, excessive, and/or in violation of ERISA;

viii) reform the Plan to include only prudent investments;

ix) certify the Class, appoint Plaintiffs as class representatives, and appoint Kahn Swick & Foti, LLC as Class Counsel;

x) award to the Plaintiffs and the Class their attorneys' fees and costs under 29 U.S.C. § 1132(g)(1) and the common fund doctrine;

xi) order Defendants to pay interest to the extent allowed by law; and

xii) grant such other equitable or remedial relief as the Court deems appropriate.

Dated: October 31, 2025

<u>/s/ Melinda A. Nicholson</u>

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