

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA

Cory McGeathy v. Reinalt-Thomas Corporation, et al.

McGeathy · No. CV-25-01439-PHX-DLR · Decided March 5, 2026

SUMMARY

The United States District Court for the District of Arizona denied Defendants' motion to dismiss Cory McGeathy's first amended complaint alleging ERISA fiduciary-duty violations. The court held that Plaintiff plausibly alleged imprudence by identifying meaningful comparator target-date funds and alleged underperformance, and that the derivative failure-to-monitor claim therefore also survived. The order was issued on March 4, 2026.

CASE DETAILS

COURT	United States District Court for the District of Arizona
WRITING FOR THE COURT	Douglas L. Rayes
JURISDICTION	United States District Court for the District of Arizona
DECIDED	March 5, 2026
DOCKET	CV-25-01439-PHX-DLR
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss Plaintiff's first amended complaint asserting ERISA fiduciary-duty claims for imprudence and failure to monitor. The court denied the motion.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, construes them in the plaintiff's favor, and determines whether they plausibly state a claim for relief. Conclusory allegations and legal conclusions framed as factual allegations are not accepted as true.
PRECEDENTIAL VALUE	Unknown; district court order with no reporter or precedential-status designation in the source.

TOPICS

[erisa](#)[employee benefits](#)[fiduciary duty](#)[motions to dismiss](#)[civil procedure](#)

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the first amended complaint plausibly alleged that Defendants breached ERISA's duty of prudence by retaining an allegedly underperforming investment without a meaningful benchmark comparison.
2. Whether the complaint's failure-to-monitor claim survived because the underlying imprudence claim was adequately pleaded.

HOLDINGS

1. A plaintiff plausibly states an ERISA imprudence claim by alleging that fiduciaries selected or retained an investment and comparing its performance to meaningful benchmarks with similar aims, risks, and potential rewards; the complaint adequately alleged such benchmarks and underperformance.
2. The derivative failure-to-monitor claim survived the motion to dismiss because the complaint adequately stated the underlying imprudence claim.

KEY QUOTATIONS

"To avoid a Rule 12(b)(6) dismissal, a complaint need not contain detailed factual allegations; rather, it must plead 'enough facts to state a claim to relief that is plausible on its face.'" (at 3)

"But ERISA 'requires prudence, not prescience.'" (at 4)

"Instead, 'when a plaintiff alleges imprudence based on a fiduciary's decision to make one investment rather than an alternative, the key to nudging an inference of imprudence from possible to plausible is providing a sound basis for comparison—a meaningful benchmark—not just alleging that costs are too high, or returns are too low.'" (at 4)

"Plaintiff has done so. Defendants' disputes about the facts concerning each comparator fund are more appropriate for summary judgment." (at 5)

"Defendants' arguments would require a plaintiff alleging imprudence to not just compare apples to apples but only Gala apples to Gala apples and Fuji apples to Fuji apples." (at 5)

FACTUAL BACKGROUND

McGeathy alleged that he participated in the Discount Tire/America's Tire Retirement Plan and invested in the American Century Target Fund Suite. The Plan held approximately \$1.2 billion in assets as of December 31, 2023, with approximately \$519.5 million invested in that fund suite. He alleged that the plan fiduciaries retained the suite for more than fifteen years despite substantial underperformance relative to five comparable target-date fund suites and other benchmarks, causing alleged losses of between \$11 million and \$44 million.

PROCEDURAL HISTORY

Cory McGeathy filed a putative class action under ERISA §§ 502(a)(2) and 409(a) on behalf of the Discount Tire/America's Tire Retirement Plan and its participants and beneficiaries. Defendants moved to dismiss the first amended complaint. The district court concluded that the complaint plausibly alleged an imprudence claim and a derivative failure-to-monitor claim, and denied the motion to dismiss.

DISPOSITION

other

CASES CITED

- Cousins v. Lockyer, 568 F.3d 1063, 1067 (9th Cir. 2009)
- Clemens v. DaimlerChrysler Corp., 534 F.3d 1017, 1022 (9th Cir. 2008)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- In re Tracht Gut, LLC, 836 F.3d 1146, 1150 (9th Cir. 2016)
- Bafford v. Northrop Grumman Corp., 994 F.3d 1020, 1026 (9th Cir. 2021)
- Tibble v. Edison International, 575 U.S. 523, 530 (2015)
- Hughes v. Northwestern University, 595 U.S. 170, 176 (2022)
- Anderson v. Intel Corp. Investment Policy Committee, 137 F.4th 1015, 1021-1023, 1025 (9th Cir. 2025)
- Anderson v. Intel Corp. Investment Policy Committee, 579 F. Supp. 3d 1133, 1151 (N.D. Cal. 2022), aff'd, 137 F.4th 1015

OPINION

1 WO 2 3 4 5 6 IN THE UNITED STATES DISTRICT COURT 7 FOR THE DISTRICT OF ARIZONA 8 9 Cory McGeathy, No. CV-25-01439-PHX-DLR 10 Plaintiff, ORDER 11 v. 12 Reinalt-Thomas Corporation, et al., 13 Defendants. 14 15 16 Plaintiff Cory McGeathy brings this putative class action accusing The Reinalt- 17 Thomas Corporation (“Corporation”) and The Reinalt-Thomas Corporation Board of 18 Directors (“Board of Directors”) (collectively “Defendants”) of breaches of fiduciary duty 19 under the Employee Retirement Income Security Act (“ERISA”), 29 U.S.C. § 1001 et seq.

20 (Doc. 6.) Before the Court is Defendants’ motion to dismiss Plaintiff’s first amended 21 complaint (“FAC”). (Doc. 22.) The motion is fully briefed1 (Docs. 23, 24) and for the 22 following reasons is denied. 23 I. Background2 24 Plaintiff brings this action under § 1132(a)(2) for relief under § 1109(a) on behalf 25 of the Discount Tire/America’s Tire Retirement Plan (“Plan”) and the Plan’s participants 26 1 Oral argument is denied because the motions are adequately briefed, and oral 27 argument will not help the Court resolve the issues presented.

See Fed. R. Civ. P. 78(b); LRCiv. 7.2(f). 28 2 The following background is derived from Plaintiff’s FAC (Doc. 6) and presumed true for purposes of this order. See Cousins v. Lockyer, 568 F.3d

1063, 1067 (9th Cir. 2009). 1 and beneficiaries. (Doc. 6 ¶ 5.) Plaintiff alleges he was a participant in the Plan, as defined 2 in § 1002(7), and that he suffered individual injury by investing in the Plan’s American 3 Century Target Fund Suite.

(Id. ¶ 24.) The Corporation, which does business as Discount 4 Tire Co., Inc., is a major retailer of tires, auto parts, and accessories. (Id. ¶ 25.) The 5 Corporation is the Plan sponsor, Plan Administrator, and a fiduciary of the Plan. (Id.)

The 6 Board of Directors is a fiduciary of the Plan responsible for appointing and monitoring the 7 Plan’s fiduciaries. (Id. ¶ 26.) 8 The Plan is a profit-sharing plan subject to the provisions of ERISA. (Id. ¶ 38.)

The 9 Plan provides for retirement income for approximately 16,000 Discount Tire employees, 10 former employees, and their beneficiaries. (Id. ¶ 39.) The Plan’s participants have the 11 option to invest their retirement savings in the funds that Defendants select for the Plan. 12 (Id. ¶ 2.)

As of December 31, 2023, Plan participants had invested almost \$1.2 billion in 13 the Plan. (Id. ¶ 40.) Of that, approximately \$519.5 million, or 43.5% of the Plan’s total 14 assets, was invested in the American Century Target Fund Suite. (Id.) 15 The American Century Target Fund Suite is comprised of “target date funds,” which 16 are designed to achieve certain investment results based on an investor’s anticipated 17 retirement date.

(Id. ¶ 7.) The American Century Target Fund Suite consists of nine funds, 18 also referred to as vintages, each separated by five-year increments that represent different 19 anticipated retirement dates from 2025 to 2065. (Id.)

The American Century Target Fund 20 Suite is an “actively managed” fund. (Id. ¶ 11.) Defendants included the American Century 21 Target Fund Suite in the Plan for over 15 years despite Plaintiff’s allegation that it is “one 22 of the worst-performing investment suites in the entire market.” (Id. ¶ 3.)

Accordingly, 23 Plaintiff brings claims for imprudence and for failure to monitor. (Id. ¶¶ 207–222.) 24 Defendants move to dismiss both claims. 25 II. Legal Standard 26 “To avoid a Rule 12(b) (6) dismissal, a complaint need not contain detailed factual 27 allegations; rather, it must plead ‘enough facts to state a claim to relief that is plausible on 28 its face.’” *Clemens v. DaimlerChrysler Corp.*, 534 F.3d 1017, 1022 (9th Cir.

2008) 1 (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007)). Well-pled factual allegations 2 are accepted as true and construed in the light most favorable to the plaintiff. *Cousins v. 3 Lockyer*, 568 F.3d 1063, 1067 (9th Cir. 2009).

The court’s task merely is to determine 4 whether those well-pled factual allegations plausibly state a claim to relief under governing 5 law. See *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009).

However, the court “does not have to accept as true conclusory allegations in a complaint or legal claims asserted in the form of factual allegations.” *In re Tracht Gut, LLC*, 836 F.3d 1146, 1150 (9th Cir.

2016). 8 III. Analysis 9 A. Imprudence Claim 10 Defendants argue that the Court should dismiss Plaintiff’s imprudence claim 11 because ERISA does not provide a cause of action for underperforming investments. (Doc. 12 22 at 13.) Plaintiff responds that an imprudence claim can be based on allegations of 13 underperforming investments so long as the performance is compared to a meaningful 14 benchmark.

(Doc. 23 at 11.) Additionally, Defendants argue that Plaintiff has failed to 15 allege meaningful benchmarks. (Doc. 22 at 17.) Plaintiff responds that it plausibly alleged 16 meaningful benchmarks, including two that the Plan itself designated as benchmarks. (Doc. 17 23 at 13.) 18 “To state a claim for breach of fiduciary duty under ERISA, a plaintiff must allege 19 that (1) the defendant was a fiduciary; and (2) the defendant breached a fiduciary duty; and 20 (3) the plaintiff suffered damages.” *Bafford v. Northrop Grumman Corp.*, 994 F.3d 1020, 21 1026 (9th Cir.

2021). Under ERISA, a plan fiduciary “shall discharge his duties with 22 respect to a plan solely in the interest of the participants and beneficiaries,” § 1104(a)(1), 23 and must do so “with the care, skill, prudence, and diligence under the circumstances then 24 prevailing that a prudent man acting in a like capacity and familiar with such matters would 25 use in the conduct of an enterprise of a like character and with like aims,” § 1104(a)(1)(B).

26 This duty of prudence extends to both the initial selection of an investment and the 27 continuous monitoring of investments to remove imprudent ones. *Tibble v. Edison Int’l*, 28 575 U.S. 523, 530 (2015). Thus, “[i]f the fiduciaries fail to remove an imprudent 1 investment from the plan within a reasonable time, they breach their duty.” *Hughes v. Nw. 2 Univ.*, 595 U.S. 170, 176 (2022).

3 But ERISA “requires prudence, not prescience.” *Anderson v. Intel Corp. Investment 4 Pol’y Comm.*, 137 F.4th 1015, 1021 (9th Cir. 2025) (quotation omitted). Courts therefore 5 assess “a fiduciary’s actions based upon information available to the fiduciary at the time 6 of each investment decision and not from the vantage point of hindsight.” *Id.* “[I]t is not 7 enough for a plaintiff simply to allege that the fiduciaries could have obtained better 8 results”—such as higher returns—“by choosing different investments.” *Id.* Instead, “when 9 a plaintiff alleges imprudence based on a fiduciary’s decision to make one investment 10 rather than an alternative, the key to nudging an inference of imprudence from possible to 11 plausible is providing a sound basis for comparison—a meaningful benchmark—not just 12 alleging that costs are too high, or returns are too low.” *Id.* at 1022 (cleaned up).

A 13 meaningful benchmark is one that has similar aims, risks, and potential rewards. See *id.* at 14 1023. 15 Here, Plaintiff alleges the aim of the American Century Target Fund Suite “is to 16 balance total return and stability over time.” (Doc. 6 ¶ 74.) Plaintiff identifies the principal 17 risks as “allocation risk, longevity risk, and the risks inherent in the underlying funds— 18 stock market risk, issuer risk, small company risk, interest rate and default risk, and the 19 risks of investing in non-U.S. securities.” (*Id.* ¶ 80.)

Plaintiff alleges that Morningstar³ rates 20 the risk level of vintages 2025 through 2040 as a moderate risk level and rates vintages 21 2045 through 2065 as an aggressive risk level. (*Id.* ¶ 81.) Plaintiff characterizes the 22 potential rewards as each target date fund “generat[ing] investment returns that outperform 23 its benchmark index so that the investors can maximize their real account balances at 24 retirement to sustain sufficient income throughout retirement.” (*Id.* ¶ 79.)

25 Plaintiff points to five other comparator funds as benchmarks: American Funds 26 Target Fund Suite, Fidelity Freedom Target Fund Suite, State Street Target Fund Suite, 27 Vanguard Target Fund Suite, and Voya Target Solution Trust Series. (*Id.* ¶¶ 82–125.)

First, 28 3 Plaintiff alleges that “Morningstar, Inc. is a leading provider of independent investment research products.” (Doc. 6 ¶ 3 n.1.) 1 Plaintiff alleges each comparator shares American Century’s aim “to balance total return 2 and stability over time.” (*Id.* ¶¶ 84, 93, 102 112, 120.)

Second, Plaintiff alleges each 3 comparator shares American Century’s potential reward of maximizing investors’ account 4 balances to generate sufficient income throughout retirement. (*Id.* ¶¶ 88, 97, 106, 115, 123.) 5 Finally, Plaintiff alleges each comparator shares American Century’s potential risks as 6 “[t]he principal risks are allocation risk, longevity risk, and the risks inherent in the 7 underlying funds.” (*Id.* ¶¶ 89, 98, 107, 116, 124.)

Of American Funds’, State Street’s, 8 Vanguard’s, and Voya’s nine vintages, the one variance is that Morningstar recognizes 9 their 2040 vintages as an aggressive risk level rather than moderate. (*Id.* ¶¶ 89, 107, 116, 10 124). Of Fidelity Freedom’s nine vintages, the two variances are that Morningstar 11 recognizes the Fidelity Freedom 2035 and 2040 vintages as an aggressive risk level rather 12 than moderate.

(*Id.* ¶ 98.) 13 As required to establish that the proposed comparator funds are truly comparable, 14 Plaintiff evaluates the aims, risks, and potential rewards of each comparator fund with those 15 of the American Century Target Fund Suite. Plaintiff does not merely label the comparator 16 funds as “comparable” or “a peer.” See *Anderson*, 137 F.4th at 1023. Further, Plaintiff 17 describes the glide path of each comparator fund and the types of investments they engage 18 in.

(*Id.* ¶¶ 83, 84, 92, 93, 101, 102, 111, 112, 119, 120.) The question at this stage is whether 19 Plaintiff has alleged meaningful comparators. Plaintiff has done so. Defendants’ disputes 20 about the facts concerning each comparator fund are more appropriate for summary 21 judgment.

Plaintiff has alleged enough to demonstrate he is comparing apples to apples 22 and not apples to oranges.

See *id.* at 1025. Defendants' arguments would require a plaintiff 23 alleging imprudence to not just compare apples to apples but only Gala apples to Gala 24 apples and Fuji apples to Fuji apples. 25 Additionally, Plaintiff alleges that the American Century Target Fund Suite 26 underperformed the benchmark designated by the Plan itself: the S&P Index. (*Id.* ¶ 13.)

In 27 its Notice of Investment Returns and Fee Disclosure to Plan participants, the Plan identified 28 the S&P Target Date Index as the benchmark for each vintage of the American Century 1 || Target Fund Suite. *Ud.* § 126.) American Century has also identified the S&P Target Date 2|| Index as the benchmark in the statutory prospectus for the American Century Target Fund 3|| Suite.

Ud. § 127.) There is case law establishing "that a plan's own benchmarks are 4|| plausibly meaningful benchmarks against which to compare funds." See *Anderson v. Intel || Corp. Inv. Pol'y Comm.*, 579 F. Supp. 3d 1133, 1151 (N.D. Cal. 2022), *aff'd*, 137 F.4th at 6|| 1015. But courts in this Circuit are divided on this issue and there is no Ninth Circuit || decision on point.

It is not necessary for the Court to determine whether the S&P Index can 8 || be a meaningful benchmark when a plan or fund designates it as a benchmark for Plaintiff || to survive the motion to dismiss because the Court has determined Plaintiff alleged the five || other comparators funds as meaningful benchmarks. 11 Additionally, Plaintiff alleges that the American Century Target Fund Suite underperformed all these plausibly meaningful benchmarks.

Plaintiff alleges the 13 || underperformance occurred over a 15-year period, 10 years prior to and then through the 14|| proposed Class Period, and that this underperformance cost Plan participants between \$11 and \$44 million. *Ud.* § 143.) Plaintiff has plausibly alleged meaningful benchmarks and 16 || underperformance relative to those benchmarks.

Accordingly, Plaintiff has stated a claim for breach of the fiduciary duty of prudence. 18 B. Failure to Monitor Claim 19 Defendants argue that the Court should dismiss Plaintiffs failure to monitor claim || because it is derivative of the imprudence claim. (*Doc.* 22 at 24.) Plaintiff agrees that the failure to monitor claim is derivative and argues it should survive this motion because the 22 || imprudence claim is sufficiently alleged.

(*Doc.* 23 at 23.) Because Plaintiff has sufficiently 23 || alleged the imprudence claim, the failure to monitor claim also survives. 24 IT IS ORDERED that Defendants' motion to dismiss (*Doc.* 22) is DENIED. 25 Dated this 4th day of March, 2026. 26 - 28 Do L. Rayes Senior United States District Judge -6-