



Employee Benefits Security Administration  
U.S. Department of Labor  
200 Constitution Avenue NW  
Washington, DC 20210

June 1, 2026

**Re: Fiduciary Duties in Selecting Designated Investment Alternatives; RIN 1210-AC38;  
Docket No. EBSA-2026-0166.**

Dear Acting Assistant Secretary Daniel Aronowitz:

Americans for Financial Reform Education Fund (AFREF) strongly opposes the Department of Labor's (DOL) misguided proposal to bail out the private equity industry by unleashing its high-fee, opaque, and risky private market investment model on workers' retirement savings while also opening the door to speculative cryptocurrency products in 401(k) and other defined contribution retirement plans.<sup>1</sup> AFREF is a nonpartisan and nonprofit coalition founded by more than 200 civil rights, consumer, labor, investor, faith-based, and civic and community groups and is dedicated to advocating for policies that shape a financial sector that serves workers, communities and the real economy, and provides a foundation for advancing economic and racial justice.

The DOL promulgated this rule without adequate consideration of the risks of this proposal, especially considering the emerging private equity and private credit financial struggles and AFREF urges the Department to withdraw it. Please find attached to this comment an appendix presenting a new analysis of plan-level data that demonstrates that alternative assets have not delivered higher returns for defined benefit plans and an AFREF white paper detailing how this proposal would endanger workers' retirement security, weaken ERISA's core protections, and turn 401(k)s into a new profit center for private equity firms.

Defined contribution plans are the primary source of retirement security for tens of millions of workers whose employers have shifted away from guaranteed pensions and onto individual retirement savings accounts. Many workers have little or no retirement savings, and those who do often have modest balances that must grow steadily and safely over time. Exposing these workers to private equity, private credit, other private market products, or cryptocurrencies would dangerously

---

<sup>1</sup> U.S. Department of Labor. EBSA. "[Fiduciary Duties in Selecting Designated Investment Alternatives.](#)" 91 Fed. Reg. 16,100. Proposed Rule RIN 1210-AC38, Docket No. EBSA-2026-0166. March 31, 2026.

threaten their retirement savings and only be creating lucrative new revenue streams for Wall Street firms and crypto promoters.

As further detailed in the attached white paper, private equity is fundamentally incompatible with the core protections guaranteed under the Employee Retirement Income Security Act of 1974 (ERISA). Private equity funds, their portfolio companies, and private credit are not subject to the same regular, standardized, public disclosure regime as publicly traded investments. Private fund managers exercise substantial discretion over valuations, provide limited and uneven information to investors, and use complex structures that make it difficult even for sophisticated institutions to understand costs, risks, conflicts, and performance. Individual workers saving through 401(k)s cannot evaluate these products, bargain for better terms, or absorb losses from stale valuations, hidden fees, or illiquidity.

These risks are not incidental; they are central features of the private equity model. Private funds routinely charge fees far above those associated with diversified public market retirement investments. These fees can be layered across multiple levels, poorly disclosed, and only loosely tied to performance. High fees compound against workers over time, shrinking account balances and weakening retirement preparedness. Private equity firms, meanwhile, can collect substantial management fees regardless of whether workers receive superior returns.

Even the performance case for private equity does not justify these dangers. Private equity returns have weakened, distributions have slowed, fundraising has stalled, and the industry is sitting on a large backlog of unsold portfolio companies. Large institutional investors with expertise, leverage, and access to top-tier funds are reevaluating their exposure. Workers with smaller accounts, less information, and no negotiating power should not be pushed into these markets precisely as sophisticated investors are running for the exits. The proposal would likely leave workers susceptible to becoming a dumping ground for high-priced and poorly performing private market assets.

Appendix A presents a new analysis of employee benefit and retirement plans data in Form 5500 proving that the defined benefit plans that *include* private market and alternative assets have weaker returns than the defined contribution plans that *exclude* these alternative investments. Defined contribution plans with virtually no exposure to alternative assets have outperformed defined benefit plans with substantial alternative asset exposure from 2009 to 2024. Over this period, defined contribution plans delivered an average 9.13 percent per year while defined benefit plans returned 7.79 percent per year on average. The 134-basis point gap, compounded over time, means that participants whose retirement savings grew at the average defined contribution rate accumulated approximately 22 percent more wealth.

The proposal also ignores the liquidity needs of retirement savers. Workers often need to rebalance accounts, change jobs, take hardship withdrawals, or access savings during all sorts of situations— from medical emergencies to paying tuition or putting a down-payment on a home. Private equity investments typically lock up capital for long periods and rely on redemption limits that impose steep costs on investors seeking liquidity. These risks would fall hardest on workers with the fewest

financial buffers, including lower-income workers and many Black and Latine workers whose retirement balances are often smaller but constitute a significant share of those households' wealth.

Crypto assets are highly volatile, prone to manipulation, and closely associated with scams, fraud, hacks, and market abuse. They are especially inappropriate for retirement accounts, where fiduciaries should select investments designed to support durable long-term savings growth, not speculative exposure to unstable tokens. The Department also cannot ignore the serious conflicts of interest surrounding the administration's crypto push, as President Trump and his family have promoted and profited from crypto ventures while advancing policies that would benefit the industry. Opening retirement accounts to crypto would risk using workers' savings to legitimize and subsidize an industry marked by instability, corruption, self-dealing, and weak oversight.

The Department should not permit retirement savings to become a bailout mechanism for private equity or a new distribution channel for sketchy crypto products. Nor should it create legal safe harbors or fiduciary protections that would make it easier for plan fiduciaries to select higher-cost, more complex, less transparent, or more volatile products. Fiduciary standards must remain robust, enforceable, and centered on workers' interests.

For these reasons, the Department should withdraw the proposal. Workers' retirement savings should be protected by clear fiduciary duties, not exposed to opaque, expensive, volatile, and politically-conflicted products that primarily serve the interests of wealthy insiders.

Thank you for your attention to this letter and the full comment attached. If you have any questions, please contact Oscar Valdés Viera, AFREF Senior Policy Analyst for Private Equity and Capital Markets at [oscar@ourfinancialsecurity.org](mailto:oscar@ourfinancialsecurity.org).

Sincerely,

Americans for Financial Reform Education Fund

## Appendix A

### **Defined Contribution Plans with Almost No Alternative Assets Have Outperformed Defined Benefit Plans by a Substantial Margin**

The defined benefit retirement plans that include alternative assets have performed more poorly than the defined contribution retirement plans that largely prohibit these risky assets. This analysis compares the defined benefit plans (DB) and defined contribution (DC) plans performance from their U.S. Department of Labor (DOL) Form 5500 over the past sixteen years. Findings include:

**Over the most recent sixteen calendar years for which data is available (2009–2024), U.S. defined contribution (DC) plans returned an average 9.13 percent per year while U.S. defined benefit (DB) pension plans returned 7.79 percent per year on average.<sup>2</sup>** That gap — 134 basis points per year, compounded — means that a participant whose retirement savings grew at the typical DC return rate accumulated approximately 22 percent more wealth in their retirement savings than one whose savings grew at the average DB return rate. The gap survives every robustness check: it persists across 5-, 10-, and 16-year trailing windows; it widens to 200 basis points per year when the DB comparison group is extended to include the full U.S. public pension universe via the calendar-year translation methodology described in full in a forthcoming white paper; and it holds on every computed measure of risk-adjusted return.

**Defined contribution outperformed DB plans while holding effectively zero allocation to private equity, hedge funds, private credit, real estate, infrastructure, or any of the other alternative asset classes envisioned under the DOL proposed rule.** Defined benefit plans, by contrast, hold substantial alternative-investment allocations — approximately 21 percent of total assets for private corporate DB plans and approximately 35 percent for public pension plans. The empirical evidence indicates that DB plans have underperformed DC plans *despite*, and in significant part *because of*, their heavy allocation in alternative investments.

These findings strongly dispute the purported benefits of alternative investments in retirement savings accounts undergirding Executive Order 14330<sup>3</sup> and the DOL’s March 2026 proposed Fiduciary Duties in Selecting Designated Investment Alternatives rule,<sup>4</sup> both of which seek to expand use of the same alternative investments that the DB plans have been using for decades. In fact, many proponents of expanded use of alternative investments in DC plans have deceptively asserted that DB plans have

---

<sup>2</sup> Both cohorts in this comparison are limited to plans that report investment performance on a calendar-year basis. The DC cohort consists of all U.S. DC plans filing Form 5500 (which file on a calendar-year accounting basis). The All DB Plans cohort consists of all open U.S. private-sector DB plans filing Form 5500 plus all U.S. state and local public pension systems that report investment results on a calendar-year fiscal-year basis. The forthcoming full white paper will present “Framework 1,” which extends the All DB Plans cohort to include the full U.S. public pension universe via a calendar-year translation methodology; the topline conclusion is substantially identical under both definitions.

<sup>3</sup> Exec. Order No. 14330. White House. “[Democratizing Access To Alternative Assets For 401\(K\) Investors.](#)” Presidential Actions, Executive Orders. August 7, 2025.

<sup>4</sup> U.S. Department of Labor. EBSA. “[Fiduciary Duties in Selecting Designated Investment Alternatives.](#)” 91 Fed. Reg. 16,100. Proposed Rule RIN 1210–AC38, Docket No. EBSA–2026–0166. March 31, 2026.

historically outperformed DC plans and that the difference is attributable to DB plans’ access to alternative investments. That falsehood is repeated by the White House Council of Economic Advisers,<sup>5</sup> BlackRock CEO Larry Fink,<sup>6</sup> the Bipartisan Policy Center,<sup>7</sup> and a coalition of twenty-two conservative and free-market advocacy organizations led by Grover Norquist’s Americans for Tax Reform.<sup>8</sup> This analysis of U.S. plan-level data incontrovertibly contradicts these baseless assertions.

**A key premise of the proposed rule is wrong on the facts.** Using complete Form 5500 filings for all open U.S. private sector defined benefit plans and all defined contribution plans (over 58,000 plans, \$7.7 trillion in combined assets) between 2009 and 2024, and incorporating verified return data for U.S. state and local public pension systems from the Public Plans Database,<sup>9</sup> DC plans outperformed DB plans by a substantial and persistent margin on every computed measure:

Trailing window (ending Dec. 31, 2024)	All DC Plans (annual rate of return)	All DB Plans (annual rate of return) <sup>10</sup>	DC plan annual advantage
5-year (2020–2024)	8.14%	4.78%	+336 bps
10-year (2015–2024)	7.85%	5.90%	+195 bps
16-year (2009–2024)	9.13%	7.79%	+134 bps

The impact of this outperformance by DC plans over the course of a 30-year career are staggering. Assuming a participant contributes \$7,700 per year (the median U.S. 401(k) total contribution in 2024) over a 30-year working career, the participant who earns the All DC Plans asset-weighted average return accumulates approximately \$1.075 million at retirement, while the participant who earns the All DB Plans asset-weighted average return accumulates approximately \$839,000.

<sup>5</sup> White House Council of Economic Advisers. [“Retail Access to Alternative Investments Via Defined Contribution Plans”](#) August 2025 at 6 (“DC plans have largely missed out on the diversification and return potential offered by alternative investments”) and at 23 (suggesting that utilizing alternative investments would increase DC plan returns by 0.5% to 2.5% annually).

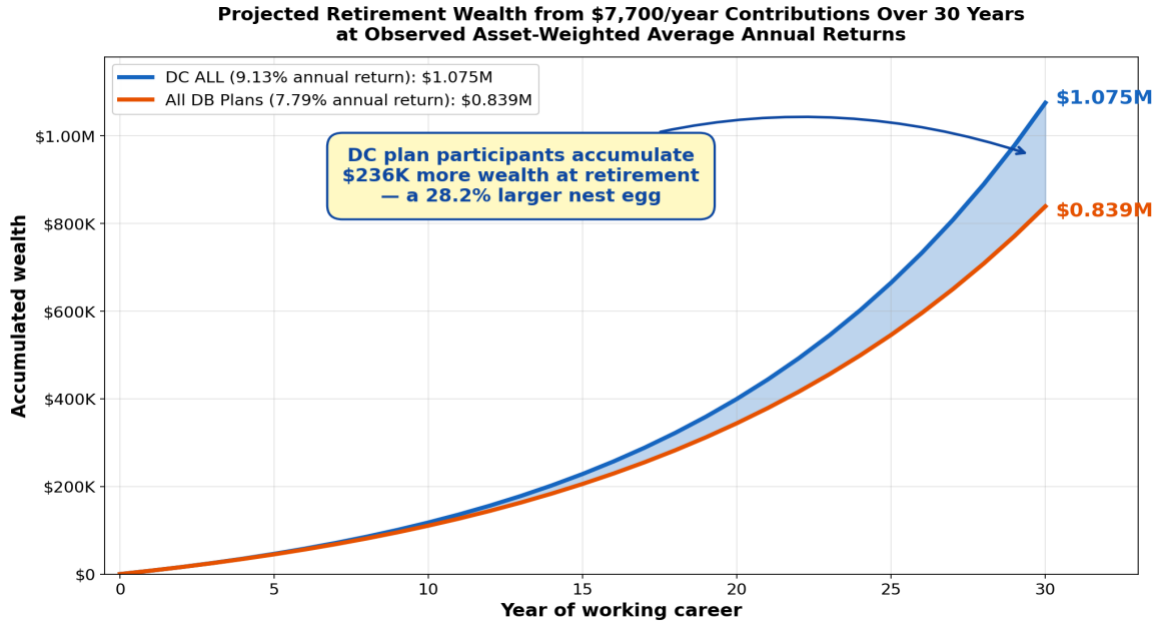
<sup>6</sup> Fink, Larry. BlackRock. [“Larry Fink’s 2025 Annual Chairman’s Letter to Investors.”](#) March 2025. (“pensions typically outperform 401(k)s by about 0.5% each year.”)

<sup>7</sup> Bahal, Sanya and Emerson Sprick. Bipartisan Policy Center. [“Alternative Assets in 401\(k\)s, Explained.”](#) July 25, 2025. (“It is likely that exposure to alts has contributed to DB plans historically achieving higher investment returns, on average, than DC plans.”)

<sup>8</sup> R Street Institute et al. [“Coalition Letter in Support of Democratizing Alternative Asset Access for 401\(k\) Investors.”](#) Letter filed in Docket No. EBSA–2026–0166. May 18, 2026. (Signed by twenty-two conservative and free-market advocacy organizations, including Americans for Tax Reform, the National Taxpayers Union, the Competitive Enterprise Institute, and the Independent Women’s Forum).

<sup>9</sup> Center for Retirement Research at Boston College. [“Public Plans Database.”](#) The translation methodology used to convert non-calendar-year public-pension fiscal years to a calendar-year basis is described in full detail in an upcoming white paper.

<sup>10</sup> All DB Plans cohort combines all open U.S. private-sector DB plans with all U.S. public pension systems reporting on a calendar-year fiscal-year basis (~\$2.4 trillion across 2,593 plans), and measures return on an asset-weighted basis. Extending the cohort to include the full U.S. public pension universe (~\$6.0 trillion) via the calendar-year translation methodology produces similar results, when taking into account the higher risk profile of public pension plans.



**DC plans outperformed because of — not despite — their simpler portfolios.** DC plans allocate approximately 72 percent of total assets to public equity (largely through index funds and target-date funds). Private corporate DB plans allocate approximately 24 percent to public equity, 55 percent to fixed income, and 21 percent to alternatives. Public pensions allocate approximately 44 percent to public equity, 21 percent to fixed income, and 35 percent to alternatives. Even after adjusting for the equity-like economic exposure embedded in alternatives,<sup>11</sup> DC plans hold materially more economic equity exposure than private DB plans, but only slightly more economic equity exposure than public sector DB plans. The mechanism is that DB plans purchase their equity exposure inefficiently: DC participants obtain public equity at total expense ratios of under 2 to 3 basis points (asset-weighted), while DB plans obtain a substantial portion of their equity exposure indirectly through private equity, hedge funds, and similar vehicles at all-in fees and carry of 200–500 basis points per year. The fee load consumes most or all of the gross alpha, despite the fact that the alleged alpha generated by alternative investments may be spurious.

**The DC returns advantage holds on risk-adjusted measures, on size-controlled comparisons, and in the face of the structural smoothing tailwind that flatters DB risk metrics.** Over 2009–2024, DC plans had Sharpe ratio 0.812 and Sortino ratio 1.754, compared with 0.766 and 1.550 respectively for the All DB Plans cohort. The worst two-year compound return for an asset-weighted DC participant was –3.91 percent (2022–2023); for the All DB Plans cohort it was –6.50 percent. Plan-size differences cannot account for the DC advantage — DB plans are, on an asset-weighted basis, *much larger* than DC plans, not smaller, and should accordingly enjoy meaningful scale advantages. When the comparison is restricted to large plans (those holding more than \$1 billion in assets, a universe in which DC and DB plans are fully size-comparable), DC-plan outperformance widened to 168 basis points (1.68% per year) over the 16-year window, despite the fact that the average DB plan remains larger than the average DC plan with over \$1 billion in assets.

<sup>11</sup> Under conventional equity-beta loadings of  $\beta \approx 1.20$  for private equity,  $\beta \approx 0.50$  for real estate,  $\beta \approx 0.40$  for hedge funds.

**Conclusion and policy implication:** The proposed rule and the Executive Order suffer from one large empirical flaw—although alternative assets such as private equity and crypto are unsuitable for retirement accounts on many levels. By the regulation’s own account, DB plans invest around 34 percent of their assets in alternative investments, while DC plans invest almost nothing.<sup>12</sup> If alternatives really offer superior returns or risk-adjusted returns, as proponents insist, then DB plans should be outperforming DC plans, at the very least on a risk-adjusted basis. Yet the opposite is true. Over the most recent sixteen years for which complete data exist, the typical DC dollar earned approximately 134 basis points (1.34%) per year more than the typical dollar in the All DB Plans cohort. Given the high fees, lax regulatory oversight, and higher risk associated with the use of leverage all associated with alternative investments, it is bad public policy to open \$9 trillion in workers’ retirement assets to alternative investments absent empirical evidence of benefits these investments have bestowed on pension plans. The proposed rule should be withdrawn pending the Department’s own comprehensive review of the Form 5500 and public pension universes.

---

<sup>12</sup> U.S. Department of Labor. EBSA. “[Fiduciary Duties in Selecting Designated Investment Alternatives.](#)” 91 Fed. Reg. 16,100. Proposed Rule RIN 1210–AC38, Docket No. EBSA–2026–0166. March 31, 2026 at 16105.

# The Private Equity 401(k) Trap

Why Opening Retirement Accounts to  
Private Markets Threatens Families'  
Savings

June 2026



# Table of Contents

<b>Overview .....</b>	<b>1</b>
<b>Introduction .....</b>	<b>2</b>
<b>Private Equity Investments Are Unsuitable for Retirement Accounts .....</b>	<b>4</b>
Transparency Deficit and Information Asymmetry .....	5
The private equity license to conceal.....	5
Private equity’s make-believe valuations.....	6
Private equity’s illiquidity trap harms workers who face financial emergencies .....	8
Private equity fees take a bite out of workers’ retirement savings.....	9
Private funds charge fees far in excess of ordinary retirement investment fees .....	10
Private equity rakes in fees no matter how investors fare .....	11
Private equity’s ever diminishing returns.....	12
<b>The Real Agenda: Bailing Out Private Equity .....</b>	<b>15</b>
<b>Conclusions .....</b>	<b>16</b>
<b>Endnotes .....</b>	<b>17</b>



## About

---

**Americans for Financial Reform Education Fund (AFREF)** is an independent, nonprofit organization founded by a coalition of more than 200 civil rights, community-based, consumer, labor, small business, investor, faith-based, civic groups, and individual experts. We fight for a fair and just financial system that contributes to shared prosperity for all families and communities.

The Private Equity 401(k) Trap was written by Oscar Valdés Viera.

# Overview

---

Wall Street and the Trump administration are pushing dangerous deregulation to give private equity firms access to the more than \$14 trillion in retirement savings kept in 401(k) and other defined contribution plans.<sup>1</sup> The proposal would risk people's retirement security and amount to a tremendous and regressive transfer of wealth from workers saving for retirement to Wall Street firms and a bailout for private equity firms that are struggling to unload underperforming investments.

Private equity funds are incompatible with the relative safety and stability that workers expect and require from 401(k) plans, which invest mostly in publicly traded companies that regularly report about their performance, disclose financial information and risks, and are subject to oversight. Most workers already are facing increasing challenges to their economic prospects in retirement. Most employers have replaced guaranteed pensions that provided a lifetime of guaranteed income with individual defined contribution retirement accounts, and workers with such accounts need them to grow steadily to provide some measure of financial security in later life. About half of workers do not have *any* retirement account savings. The majority of Black, Latine, and lower-income workers lack any retirement savings assets; and those with savings tend to have smaller balances. Households with lower balances are in the most vulnerable position if they are exposed to private equity costs and risks.

Private equity firms are investment firms that invest funds from large institutional investors such as pensions, university endowments, and sovereign wealth funds, and use financial engineering to siphon value from the firms they purchase and—frequently—also from their investors. Allowing private equity into 401(k)s would transform America's retirement system into a new profit center for Wall Street, shifting risk from financiers to workers.

- ▶ **Lack of transparency and information asymmetry:** Unlike public companies that must disclose detailed financial information on a regular basis, private equity firms and the companies they own can hide losses, inflate valuations, and leave investors in the dark about what their holdings are actually worth.
- ▶ **Excessive fees:** Private equity firms charge steep fees with complex structures designed to extract wealth from investors regardless of performance and smaller investors pay the highest fees.
- ▶ **Illiquidity risks:** Private equity investments lock up capital for years or even decades. When combined with the liquidity needs of retirement savers this mismatch can be a recipe for disaster.

- ▶ **Questionable returns and increased risk:** Private equity returns have languished in recent years, converging with and even underperforming public market returns. Retail investors face even worse prospects due to inferior access and information disadvantages; they are overwhelmingly likely to get stuck with poorly performing funds.

Workers simply cannot afford to sacrifice their retirement savings to bail out private equity's declining performance.

The push to open 401(k)s to private equity isn't driven by worker needs or capital scarcity—it's a longstanding Wall Street demand to cannibalize people's retirement savings to fund private equity profits. The heightened industry pressure to access retirement savings has been exacerbated by the private equity industry's massive backlog of unsold assets, declining interest from institutional investors, and a desperate search for new revenue sources.

Bailing out the private equity industry on the backs of workers saving for retirement will risk the retirement security of millions of people. The Department of Labor should reverse course and shield retirement savings from high-risk private equity investments and instead strengthen fiduciary protections for these savers and reaffirm that retirement savings exist to secure working people's futures, not to subsidize the profits of private equity billionaires.

## Introduction

---

In the aftermath of economic meltdowns like the 1929 crash and the 2008 financial crisis, Congress established guardrails designed to protect ordinary workers from the excesses of Wall Street. These safeguards recognized that when financial institutions are free to engineer and push opaque and risky products without robust oversight, the results are predictably disastrous for everyday people.

Today, most of those guardrails and the agencies tasked with protecting people, investors, and markets are being systematically dismantled. The Trump administration is working to satisfy Wall Street's long deregulatory wish list by eviscerating the safety and soundness requirements for big banks, eliminating the Consumer Financial Protection Bureau and its mission of protecting people from predatory finance, unleashing unregulated hyper-volatile cryptocurrency onto the financial system, reducing the oversight of the stock market, and more.

The administration has rapidly unraveled the modest oversight of private markets and moved to fulfill the private equity industry's long-held deregulatory wish to gain access to the \$14 trillion sitting in workers defined contribution retirement accounts.<sup>2</sup> In August 2025, the Trump administration ordered the Department of Labor (DOL) and the Securities and Exchange Commission to take steps facilitating this access.<sup>3</sup> Days later, the DOL rescinded a 2021 guidance that warned plan fiduciary investment advisors about the risks of including private

equity and other alternative assets among retirement savings investment options, while the administration worked to pave the way for private equity to gain access to retirement savings plans.<sup>4</sup>

Private equity firms—including giants like Blackstone, KKR, and Apollo—have spent heavily on Washington lobbying to win this access.<sup>5</sup> And they've launched sophisticated public relations campaigns to rebrand themselves and overcome the industry's reputation for excessive fees, aggressive extraction, and overloading companies with unsustainable debt. Now, the industry wants to offer a kinder and gentler private equity vision that portrays "private-markets managers as responsible stewards of retirement money."<sup>6</sup>

The private equity business model is inherently predatory and extractive. Private equity firms buy companies and load them down with unsustainable debt in leveraged buyouts, extract massive fees and debt-funded dividends, sell off valuable real estate and assets, and impose draconian cost-cutting that harms workers and lowers quality. Frequently the target companies are no longer financially viable because they are so overloaded with debt and private equity-owned firms are twice as likely to go into bankruptcy.<sup>7</sup> This has harmed workers, customers and patients, communities, and the public.<sup>8</sup>

And the truth is the private equity industry has never been a great steward of investors' money—it has focused on extracting value from the real economy and has left bankruptcies, layoffs, and community harm in its wake. Now it is facing serious structural problems, confronting crises on multiple fronts. Institutional investors are heading for the exits, private equity fundraising has decelerated significantly, private equity firms are struggling to unload underperforming assets, and returns are down.<sup>9</sup> Many longstanding institutional investors in private equity are wary of making new commitments because their previous investments are tied up in funds that can't sell their assets and pay out as anticipated.<sup>10</sup> As a Bain & Co. report noted, 2025 was the first year in over a decade where no new funds raised in the first quarter were bigger than \$5 billion, the size of funds was declining, and fewer funds were reaching their investment goals.<sup>11</sup>

Current institutional investors have been reevaluating their private equity exposure as profits have dropped and the industry has underperformed the stock market over medium and long-term benchmarks (lagging the market for the past 1, 3, 5, and 10 years).<sup>12</sup> Most tellingly, the industry faces roughly \$3 trillion in assets that it has been unable to sell profitably, creating an unprecedented backlog of investments it is unable to exit, locking up investors' funds and reducing returns.<sup>13</sup> Private equity fundraising plunged as firms struggled to return cash to existing investors, with global fundraising falling 35 percent in the first quarter of 2025 compared with the same period the prior year.<sup>14</sup> The industry's inability to return cash to investors has pushed some institutional investors to liquidate their private equity stakes in secondary markets (selling stakes in existing fund investments)—often at steep discounts.<sup>15</sup>

The industry-wide problems have left the private equity industry scraping for new investors—with one analysis finding that private equity funds were looking for three dollars of new investment for each dollar offered by their traditional sources.<sup>16</sup> With their funding sources drying up and growing skepticism from the institutional investors who know these products best, the industry desperately needs a new source of capital.

Workers' retirement savings accounts would be a lifeline to bailout the private equity industry from a disaster of its own making. The industry wants workers saving for retirement to replace the institutional investors they are steadily losing. Retirement savings are a massive \$14 trillion captive pool that grows automatically with every paycheck.<sup>17</sup> Exposing workers' retirement savings to the high-risk, high-fee, high-opacity private equity industry amounts to a regressive bailout of an industry in distress and threatens the funds families are saving for a secure and dignified retirement.

## Private Equity Investments Are Unsuitable for Retirement Accounts

---

Employers have offloaded the burden of investing for retirement onto workers who now must shepherd their own retirement savings to provide for their economic security in later life. The massive shift from defined benefits pension plans (where employers pay their former workers a certain amount on a regular basis) to self-directed retirement savings plans (known as defined contribution plans) has been the most significant development in the U.S. retirement system over the last half century.<sup>18</sup> These retirement accounts (mostly 401(k) and 403(b) plans) require workers to contribute to their own accounts from paycheck deductions and the accounts grow through workers' contributions and from the gains from stable, relatively safe investments.

The employer transition from defined benefit pension retirement plans to defined contribution retirement accounts has left most families more economically vulnerable in their later years. Today, the vast majority of pension plans are 401(k)-type defined contribution plans, accounting for almost 70 percent of all plans and with more than 105 million plan participants.<sup>19</sup> But almost half of households have no retirement savings account assets, and most households with savings have very modest balances that cannot provide for a secure retirement—the median account value for those with accounts in the bottom three income quintiles was under \$40,000 in 2022.<sup>20</sup> These workers will be especially gravely harmed if their modest retirement savings are plundered by high-risk, high-fee private equity investments.

Federal law provides important protections for workers investing through their 401(k) plans. Among other things, The Employee Retirement Income Security Act of 1974 (ERISA) restricts the investments employers can offer to workers, only allowing them to choose from a defined set

of options that are transparent, reasonably priced, and appropriate for retirement savers. Congress enacted ERISA explicitly because workers often lacked basic information and meaningful safeguards over how these plans were run and found it in the national public interest to establish disclosure requirements, fiduciary and governance protections, and minimum standards “assuring the equitable character of such plans and their financial soundness.”<sup>21</sup> Private equity firms operate on the opposite model entirely: they are opaque, high-priced, and high-risk.

These characteristics might be tolerable for institutional investors such as university endowments, pensions, sovereign funds, and wealthy family investors, but they are fundamentally incompatible with the needs of workers who rely on predictable and transparent growth of savings in equitable and financially sound plans to fund economically secure and dignified retirements. Sophisticated institutional investors have much more knowledge of the markets, far more staff and financial capacity to evaluate private equity offerings, and much more leverage to negotiate for better deals. Larger institutional investors are more likely to be able to direct funds to higher performing private equity funds. Smaller institutional investors may lack the capacity to negotiate for fuller transparency or better deals and can get stuck with lower performing funds.

Individual workers are not only less knowledgeable, they lack the size and negotiating power to secure better disclosures, lower fees, and better terms. As a result, workers’ retirement savings plans are most likely to be stuck with lower performing private fund investments. This would make workers’ retirement savings vulnerable to becoming a dumping ground for the worst of the private equity assets.

## Transparency Deficit and Information Asymmetry

### *The private equity license to conceal*

Private equity firms do not disclose basic business information, standardized comparable reports, or audited financial records to their investors. To put the transparency problem in perspective, consider what public market investors take for granted. Every investor purchasing shares of a public company currently receives extensive verified, audited information on a regular basis. Companies trading on major exchanges must comply with federal securities laws by disclosing information such as financial statements, business risks and prospects to the Securities and Exchange Commission (SEC) each quarter, annually, and as major events occur.<sup>22</sup> Millions of these public documents are electronically available at the SEC and on corporate websites supplemented by executives’ regular public-facing earnings presentations that are carefully examined by investors, reporters, industry watchdogs, and regulators.

Private equity firms face no comparable requirements. As a result of exemptions in federal securities laws, most private equity firms have largely avoided regulatory oversight, with regulations mostly limited to certain governance controls and anti-money laundering practices.<sup>23</sup> The industry has long argued that a lax regulatory regime is appropriate *precisely* because small retail investors are prohibited from investing in private funds or from buying risky privately held securities. For over fifty years, only “accredited investors” such as pension funds, university endowments, and individuals who meet certain wealth, income, or financial sophistication criteria could invest in private funds because they are assumed to be able to comprehend these complex investments, absorb losses, and protect themselves.<sup>24</sup>

Private equity firms control what information they share about their funds’ portfolio companies, when they share it, and with whom. There are no mandated regular disclosures and no standardized reporting that enables cross-company comparison. Instead, investors must fend for themselves, which can result in an asymmetry of information even among investors in the same fund. Big institutional investors can bargain for detailed, frequent reporting and special access, while smaller investors in the very same fund may get far less. A retirement saver cannot compete in a market where the rules allow differential information and let insiders and large investors negotiate preferential side deals while small investors rely on little more than marketing brochures.<sup>25</sup> This information asymmetry leaves retirement savers vulnerable to being enticed into private equity investments with poorer returns, higher fees, disadvantageous terms, and rigid investment horizons.

## **Private equity’s make-believe valuations**

This transparency deficit not only prevents investors from making informed decisions and holding corporate management accountable—it also undermines core market functions like price discovery and accurate valuations of private assets. In well-functioning public markets, willing buyers and willing sellers determine prices and asset valuations based on abundant, timely, verified information and continuous trading. As new information comes out, investors trade on it, and those trades rapidly get reflected in share prices. Real-time price updates limit insiders’ ability to systematically exploit outside investors and make it easier for companies to raise capital by giving investors confidence that prices reflect actual value.

But private funds lack both those conditions: disclosures are thin and trading is infrequent. With fewer observable transactions and less verifiable information, prices become less a market signal and more a managerial assertion. Private equity firms have substantial discretion to determine the fair value of their portfolio assets. According to the Financial Accounting Standards Board, the fair value can be determined by the price at which an asset can be sold on a given date *or*, alternatively, as the best guess of the price a firm can get in the most advantageous conditions and market to “maximizes value for the entity.”<sup>26</sup> This allows private equity firms to offer hyped up valuations to prospective investors. Retirement savers are much

less well positioned to discern—and avoid—assets with puffed up valuations that could erode the performance of their retirement accounts.

Private equity investments don't have real, market-tested prices because the underlying assets are sold after holding them for several years, typically 5 to 7 years.<sup>27</sup> Thus, until investments are ultimately sold and cash is returned to investors, valuations are generally provided by the fund's general partner relying on a high degree of judgment and subjectivity.<sup>28</sup> In the meantime, the general partners have no obligation to promptly disclose even highly material developments about their portfolio companies like losing a major customer, a CEO departure, the start of significant litigation, or a government investigation.<sup>29</sup>

When a private equity firm describes its holdings as being worth billions, that figure typically reflects only the judgment of the firm and a small group of connected private investors. This is why private equity valuations have been called “mark-to-make-believe.”<sup>30</sup> As author Matthew Klein put it in the *Financial Times*:

Then there are those, such as private equity firms, who invest in illiquid assets. ‘Illiquid’ in this case means ‘thing that’s almost never traded,’ which in practice means ‘we won’t pretend to know what it’s “worth” in the absence of a market, but here’s a number if it makes you feel better.’<sup>31</sup>

Private equity firms have often adjusted their reported asset values in ways that appear self-serving.<sup>32</sup> For example, a 2013 study found that private equity firms often inflate portfolio valuations during fundraising and audit seasons—making the funds look more attractive and potentially boosting general partners earnings and fees.<sup>33</sup> During a significant market decline in 2022, many private equity portfolios reported only modest value reductions, with downward readjustments to prominent technology company valuations like Stripe and Klarna occurring only months later.<sup>34</sup> Eileen Appelbaum, Co-Director of the Center for Economic and Policy Research (CEPR) explained the implications of the 2022 overvaluation:

[Private equity] firms failed to mark the value of their portfolio companies to market. Instead, the general partner (a committee of principals of the [private equity] firm, not an individual that manages the fund) used its own guesstimates of what the companies in its portfolio were worth. Fund managers declared that their portfolio companies had largely escaped the effects of the market downturn. As a result, [private equity] portfolio companies are overvalued, and a persistent gap between buyers and [private equity] sellers has made it difficult for [private equity] funds to exit their investments, either through a sale or via a stock market IPO.<sup>35</sup>

Private equity's mark-to-make-believe problem has real implications for retirement savers. Because private assets don't benefit from real-time market pricing and reported values can lag shifts in underlying fundamentals—including during periods of stress—retirement account

savers may lack reliable information about what their holdings are actually worth until they try to liquidate.

Additionally, inflated or slow-to-adjust valuations can make it harder to sell assets and trap investors' capital for longer than a decade. When valuations stay overoptimistic, buyers and sellers become unwilling to reach a sale price, deal volume dries up, funds struggle to exit portfolio companies and hold assets longer than planned, and investors' money effectively gets stuck until markets catch up or managers finally make the markdowns.<sup>36</sup> For retirement savers, this means that their money can end up locked up in what have become known as zombie funds for much longer than anticipated.<sup>37</sup> And if they need liquidity, the only practical option may be selling their fund stake early and at a loss in private equity secondary markets.

Private equity investors that have tried to get out of their investments before the funds expire by selling their stakes in secondary markets have found they need to take significant discounts to close the valuation gap between buyers and sellers.<sup>38</sup> According to a report by the investment banking firm Jefferies, getting out early of private market stakes in the first half of 2025 imposed an average 10 percent discount.<sup>39</sup> Yale University's endowment was reportedly considering a 10-15 percent haircut to sell its private equity stakes on the secondary market in 2025.<sup>40</sup> This would present an impossible conundrum for retirement savers to either lock up their assets for longer or take substantial and unaffordable losses in their accounts.

## Private equity's illiquidity trap harms workers who face financial emergencies

The long and rigid investment horizon of private equity funds can lock up workers' retirement savings and make it impossible or costly to access them in case of a financial emergency or in order to readjust their retirement account to pursue more stable and secure investments. Unlike university endowments and other large institutions that can ride out long lockup periods, most workers and families have real world liquidity needs and cannot keep their money invested indefinitely or wait a decade or more for a convenient time for the fund to exit an investment without being forced to tap savings in the meantime.

This issue impacts a very significant number of investors. Participants in 401(k) and other defined contribution plans often rebalance their portfolios as their risk tolerance or investment preferences change. They also often withdraw funds when changing jobs or due to an unexpected personal financial hardship such as a layoff, health emergency, or divorce.<sup>41</sup> In 2024, the most common reasons for taking a hardship withdrawal were avoiding foreclosure or eviction (35 percent of all hardship withdrawals), medical expenses (30 percent), tuition expenses (14 percent), and purchasing or repairing of primary residency (16 percent).<sup>42</sup> In total,

more than one-third of workers (37 percent) have taken a loan or early withdrawal from their 401(k) or similar plans.<sup>43</sup>

Those withdrawals and loans are not evenly distributed across workers. Black and Latine families are more likely to draw down their retirement accounts before retirement to cover relatively higher costs and more widespread risks than white families due to longstanding income and wealth inequalities and racist practices that leave many families of color with fewer financial buffers outside their 401(k)s.<sup>44</sup> Black families also face considerably higher rates of evictions from their homes (the most frequent reason for taking a hardship withdrawal).<sup>45</sup>

A 2024 National Bureau of Economic Research report found that nearly one-fourth (23.3 percent) of Black savers make an early withdrawal from their defined contribution plan each year, almost twice as high as the rate for white retirement savers (12.3 percent).<sup>46</sup> This means that Black families saving for retirement are more likely to be penalized by illiquidity—locking in losses through steep discounts in addition to withdrawal penalties that can reduce compound growth by thousands of dollars over the long term. That’s why the AARP has warned that early withdrawals widen the racial retirement gap.<sup>47</sup>

The same pattern shows up in retirement account loans. In 2024, one-sixth (16 percent) of all plan participants had an active loan from their retirement account, but the share was far higher for Black and Latine workers—over 26 percent Black and Latine plan participants had an active retirement account loan compared to 15 percent of white participants.<sup>48</sup>

That makes the current retirement system doubly unequal. The tax benefits of retirement savings flow disproportionately to households with the income, wealth, workplace access, and financial stability needed to contribute consistently, who are more likely to be white. But the tax penalties and lost compounding from early withdrawals fall more heavily on Black and Latine families who are more likely to need those funds before retirement.

Adding illiquid private funds to 401(k)s would worsen that racial inequity because the workers most likely to need liquidity would be more vulnerable to fire sale losses, delayed redemptions, stale valuations, and additional costs when they try to access their own money.

## Private equity fees take a bite out of workers’ retirement savings

Excessive management fees eat into the growth of investments. Fees are one of the most important factors fiduciaries must consider when selecting appropriate 401(k) investment plans for workers. High fees compound just like investment returns do, only in reverse. Every extra dollar taken out in investment management fee costs is a dollar that no longer grows over a

worker's career. That undermines any investment account; it is especially damaging in a retirement system where many households are already behind.

Fee opacity and complexity are already pervasive problems affecting retirement savers, even before the addition of high-fee private equity. A 2023 Government Accountability Office (GAO) report found that retirement fees are often poorly understood by plan participants, and that these fees can be especially harmful for participants with smaller balances that face additional fees (which disproportionately harm lower-income workers).<sup>49</sup>

High fees have reasonably drawn the ire and litigation of retirement plan members. Over the last decade, employers and plan sponsors have paid over \$1 billion to settle more than 500 ERISA class action lawsuits alleging excessive or poorly justified fees.<sup>50</sup> In 2025 alone there were 74 excessive fee lawsuits, accounting for almost half of all lawsuits filed alleging violations of ERISA and breaches of fiduciary duty.<sup>51</sup> Several notable cases have recouped multimillion dollar settlements for unfair fees. Caterpillar agreed to a \$16.5 million settlement in an excessive-fee case;<sup>52</sup> Walmart and Merrill Lynch settled a similar 401(k) suit for \$13.5 million;<sup>53</sup> and ABB ultimately agreed to a \$55 million settlement after years of litigation over failures to monitor plan costs and investment choices.<sup>54</sup> These lawsuits have helped drive down general plan fees and expenses by between 25 to 35 percent from 2013 to 2023, according to a McKinsey study.<sup>55</sup>

Allowing private funds to access workers' retirement savings accounts would embed a business model built around high, layered, and often poorly transparent fees—charges that sophisticated and well-resourced institutions have struggled to monitor and that research shows can materially erode returns. This would leave more workers with smaller retirement accounts and too little to depend on during their later years.

The Trump administration proposal to allow alternative investments in retirement accounts would make it harder for workers to bring and win lawsuits over excessive fees in all kinds of investments. The proposal would create a safe harbor that waives ERISA fiduciary duty requirements even if plan managers select investment alternatives with the highest fees and expenses compared to other alternatives considered.<sup>56</sup>

Simultaneously opening the door wider for private equity investments and insulating employers from lawsuits is a double whammy—leaving workers particularly vulnerable to the excessive, opaque, and hard-to-monitor fees that are widespread in the private equity industry.

## ***Private funds charge fees far in excess of ordinary retirement investment fees***

Most workers already struggle to save enough for retirement. The 401(k) system should help them keep as much of their investment returns as possible—not steer them into products that allow Wall Street to skim away a big portion of it. The prevailing private equity fee structure of 2

percent of assets under management and 20 percent of profits are far in excess of what most 401(k) plans and retail investors pay for passively managed long-term investments like mutual funds.<sup>57</sup> Private credit funds' fees are so high that they can erase the very return advantage the funds claim to offer. One study found that private credit returns become "indistinguishable from zero" once risk and fees are accounted for and that all gains in those funds are largely captured by fund managers through fees, rather than passed on to investors.<sup>58</sup> That means directly investing in private equity and credit funds can cost workers many multiples of what they would pay for diversified public market exposure.

Public market funds show what low-cost retirement investing can look like. At the end of 2025, the average expense ratio for equity mutual funds was 0.40 percent, while index equity exchange traded funds (ETFs) averaged 0.14 percent, and a broad public market stock-and-bond target date fund cost on average 0.3 percent annually.<sup>59</sup> According to a Morningstar study, Vanguard and Schwab are the lowest-cost providers of index mutual funds and ETFs, with 0.07 percent asset-weighted average fee in 2025.<sup>60</sup> Other providers such as Fidelity even offer zero expense ratio index mutual funds.<sup>61</sup>

Even the evergreen funds, the private equity industry's retail investor and retirement saver alternative to the traditional private equity fund structure, are significantly more expensive options than many available retirement savings plans. A recent study of retail-oriented private equity evergreen funds finds they charge an average expense ratio of 3.9 percent, not even including sales charges that can amount to another 3 to 5 percent. That average expense ratio is 130 times more than a Vanguard ETF tracking the S&P 500 index and charging a total expense ratio of 0.03 percent.<sup>62</sup>

## ***Private equity rakes in fees no matter how investors fare***

Much of the fee cost burden of private funds is not meaningfully tied to performance at all and many fee structures are too opaque for investors to understand what they are paying for and how much it costs. One study of private market funds estimates that investors pay \$0.05 to \$0.26 in fees for every dollar committed over a fund's life, producing an annualized fee drag of 5 to 8 percent of gross returns. This study also found that more than half of the fee revenue came from non-performance-based fees, which do not "effectively incentivize performance" and are not "aligned with investors' interest."<sup>63</sup> In other words, investors can lose more than half of their returns before any performance bonus is even considered. The financial press has also documented that private equity fees can remain stubbornly high even during weaker periods for the industry. For example, during the 2021 to 2024 private equity slump, average net annual fees for buyout funds were 1.86 percent, according to the *Wall Street Journal*.<sup>64</sup>

The complexity and opacity of private equity fee structures make it very difficult even for large, sophisticated investors to assess the true costs clearly. Some private fund costs may even be buried inside the fund's reported expense ratio. For example, when private equity funds invest

in other private funds—a common practice—investors can end up paying fees at multiple levels. They may pay fees to the main fund they selected, while also indirectly paying charges and performance fees to the underlying funds where their money is invested, costs that may not be fully reflected in the original funds' headline expense ratio.<sup>65</sup>

The *Wall Street Journal* reported that pension funds and other institutional investors have pushed private equity firms for more standardized disclosure of fees and returns precisely because current reporting makes comparisons difficult.<sup>66</sup> Academic research documents that different public pensions participating in the *same* private equity fund can end up paying materially different fees, with the differences large enough that some pensions in the study lost \$19 billion to \$25 billion due to worse fee arrangements.<sup>67</sup>

These complex and high fee structures are entirely inappropriate for retirement savings funds like 401(k)s. If institutional investors and giant pensions cannot identify or negotiate the true cost of private funds, workers saving through 401(k)s will be at an even greater disadvantage. Retirement savers and their plan sponsors will not be able to navigate opaque and deceptively marketed stated costs that conceal higher all-in costs. As a result, the proposed inclusion of private market alternatives in 401(k) accounts simply allows private equity firms to extract tens of billions of dollars in fees for paltry performance that will erode the economic security of workers in retirement.

## Private equity's ever diminishing returns

The private equity industry broadly touts its alleged superior performance, regularly claiming that it generates outsized returns for investors. These returns have long been overstated and many smaller institutional investors have failed to see the promised rosy returns.<sup>68</sup> But the private equity industry is now facing the reality that it is not remotely living up to the hype. The case for putting private equity into 401(k)s rests on the promise of superior returns that can compensate for giving up liquidity, transparency, and low costs. But recent evidence suggests more clearly than ever before that the returns are not justifying those trade-offs. The declining performance of private funds makes them even more inappropriate for workers' retirement savings.

Private funds have been massively underperforming investments in the stock market in recent years. In 2025, the *Financial Times* reported that private market funds—including private equity, private credit, and venture capital—lagged large-cap U.S. stocks over one-, three-, five-, and ten-year benchmark periods, with private funds returning less than a third of public market investments (7 percent versus 25 percent for the S&P 500 in 2024).<sup>69</sup> A 2026 *Wall Street Journal* report found that Ivy League endowments were rethinking their private equity exposure after U.S. private equity returned only 7.4 percent annually over the prior three years, versus 19.7 percent for the S&P 500 and 23.66 percent for the Nasdaq composite.<sup>70</sup> The analysis found that

private equity lagged the S&P at the one, three, and five year marks and was lower than the Nasdaq composite over one, three, 10, 15, and 20 years.

Much of private equity's reputation for outperformance rests on an earlier era that looks very different from today's crowded private markets. A host of academic research has found that historical return advantages were strongest when private equity was a smaller, less competitive asset class, before the number of funds and the volume of capital chasing deals expanded dramatically and dissipated any excess returns.<sup>71</sup> A 2020 Oxford University paper found that private equity funds' returns have been roughly in line with public equity indexes since at least 2006.<sup>72</sup>

The experience of large institutional investors offers little reason to believe that adding more complex, illiquid assets will reliably improve retirement outcomes for workers. Recent studies have found that public pension funds could have obtained higher net-of-fees returns by investing in passive index funds with public stocks and bonds instead of in actively managed alternative investments like private equity.<sup>73</sup> A 2024 Center for Retirement Research study found that, from 2000 to 2023, public pension funds invested in private equity produced a long-term annualized return of about 6 percent—almost identical to a simple 60-40 stock-bond portfolio—concluding that public pensions “should stick with a simple and transparent strategy.”<sup>74</sup>

These findings are especially relevant for workers saving for retirement in 401(k)s. Large institutional investors with expert investment staff, long time horizons, the ability to negotiate the lowest fees, and access to the top performing private funds have not clearly improved results through more complex investing; it is extraordinarily difficult to imagine how workers without these advantages would do better. There is every reason to expect they will do worse, and workers simply cannot afford to subsidize private equity's meager performance which will erode the growth of their retirement savings.

Retail investors are already facing losses from private equity through their exposure to private equity funds through retail-oriented, evergreen, or target-date-fund structures specifically designed to package private assets for mass distribution. The early evidence shows that these types of products underperform public markets while charging far more fees. A recent review by the Private Equity Stakeholder Project found that the fifteen largest private equity-focused evergreen funds aimed at retail investors produced a median return of 11.97 percent in 2025, far below the 17.43 percent return for the S&P 500 and 22.34 percent for the global equity benchmark MSCI ACWI Index. Over the three years from 2023 through 2025, those funds generated a median annualized return of 11.31 percent, about half the S&P 500's 22.48 percent return. These weaker results came on top of the funds' expense ratios, generally ranging from 3 to 5 percent.<sup>75</sup>

Private equity is now struggling to generate returns, exit investments, distribute cash, and raise new funds. By May 2026, private equity firms were sitting on nearly 33,000 unsold portfolio

companies worth more than \$3 trillion that they cannot profitably sell, and for a record of four straight years, investors have received distributions that amounted to less than 15 percent of the value of their private equity fund holdings<sup>76</sup> As firms move to clear that backlog, some are no longer realizing gains but instead are racking up losses. Private equity firms began unloading companies at a loss in 2025, with the average portfolio company being sold below its previously reported paper value.<sup>77</sup>

The bottleneck is making traditional private equity investors uneasy, worried that the funds are sitting on too many unsold companies and returning too little cash. Large investors are reportedly looking to sell their private equity stakes because they expect few near-term cash distributions.<sup>78</sup> *Bloomberg* reported that private equity fundraising plunged in 2025 amid difficulty returning cash to existing investors.<sup>79</sup> In other words, the industry is pressing for—and the Trump administration is offering—increased access to workers’ retirement funds at precisely the moment when a set of sophisticated investors are turning away from private equity investments because of protracted lower performance.

Reported private equity returns also deserve skepticism because the valuations behind them are less transparent and less market-tested than public stock prices. Private equity performance claims can overstate returns because fund valuations are manager-generated, difficult to verify, and reported through metrics that do not always reflect reality. For retirement savers, that means the return numbers used to justify private equity are both harder to validate and less meaningful than the transparent, continuously priced returns available in public markets.

Private credit funds, which had boomed in previous years, have faced even steeper headwinds. As private equity funds struggle to sell companies and return cash, private credit has increasingly helped sustain the system through new loans and refinancings. But these funds are facing similar problems, low repayment rates, and are now rolling over under-performing assets into new funds with new investors to repay the original investors without waiting for the loans to be repaid or refinanced.<sup>80</sup> Private credit also has been facing a crisis of confidence. Funds have faced waves of redemption requests by investors trying to pull money out, while losses, defaults, and valuation concerns have exposed the fragility of the private market.<sup>81</sup>

The recent evidence undercuts the argument that workers should accept private equity’s added costs, opacity, and illiquidity in exchange for better performance. As the *Wall Street Journal* recently put it, “the glory days for these assets may already be ending.”<sup>82</sup> The evidence now points to an asset class whose returns often match or trail public equities, whose institutional backers are increasingly uneasy, and whose retail-facing products appear especially unattractive. In this environment, exposing 401(k) savers to private equity is less about expanding opportunity and more about asking workers to bear additional risk and costs for returns they can often obtain more cheaply and transparently in public markets.

# The Real Agenda: Bailing Out Private Equity

---

Allowing private equity to prey upon workers' retirement savings amounts to a regressive bailout of Wall Street firms paid for by pilfering millions of people's retirement security. Private equity's push into 401(k)s is best understood as a search for new investors when the industry's business model is under pressure. Workers are not clamoring for higher-cost, lower-performing investment opportunities. The industry is aiming at the \$14 trillion in retirement savings accounts for the same reason Willy Sutton robbed banks: that's where the money is.

The private equity industry is hoping that these retirement savings accounts can rescue it from a crisis of its own making: evaporating investors, declining returns, fundraising shortfalls, unsellable assets, and sophisticated investors who are increasingly wary.<sup>83</sup> Private credit fundraising is also drying up, with one major private credit fund reportedly raising roughly 95 percent less than it did a year earlier.<sup>84</sup> And portfolio company bankruptcies rose to a record high in 2024, before abating slightly to much higher than average levels in 2025 according to S&P Global.<sup>85</sup>

Private equity firms have resorted to more financial engineering to dodge the depth of the exit problem. Some private equity funds have become zombie funds that shamble on with little chance of liquidating assets or raising successor funds.<sup>86</sup> Other strategies include dumping older investments into so-called continuation funds that force new investors to buy up assets they cannot profitably sell.<sup>87</sup> Now, private equity firms are pouring older continuation funds into newer continuation funds to repackage stranded and unsellable assets.<sup>88</sup>

Major institutional investors are no longer treating private equity as an obvious top performer. The *Wall Street Journal* reported that pensions that piled into private equity are now struggling to get cash out, with money languishing in hard-to-sell investments while retirement systems seek liquidity.<sup>89</sup> The *Financial Times* reported that more large investors are looking to sell their private equity stakes, while some of the largest university endowments like Yale and Harvard are selling their private equity positions.<sup>90</sup>

Retirement savings accounts represent a \$14 trillion lifeline for the private equity industry. Cracking open 401(k) retirement savings accounts would help solve several of the private fund industry's biggest problems at once. Worker retirement accounts offer a steady stream of captive capital, with contributions flowing automatically from every worker's paycheck into private equity coffers. These accounts also offer a new source of massive fees—even a small allocation from defined contribution plans could generate substantial management-fee revenue for private equity firms, whether or not workers ultimately receive superior returns.

Defined contribution plans would give private equity access to investors with far less ability to scrutinize what they are buying. Large pensions and endowments have investment staff, consultants, lawyers, and advisers to review fees, valuations, leverage, conflicts, and performance claims—and even they struggle to get clear information from private fund managers. Individual workers are in no position to evaluate hidden fees, portfolio company risks, valuation marks, or fund performance. If private equity is embedded in target-date funds or other default options, billions could flow into opaque, high-fee, illiquid products without workers actively choosing them. The end result would be a tremendously regressive bailout of the richest Wall Street titans funded by workers' paychecks.

## Conclusions

---

The push to put private equity in 401(k)s is dressed up in the language of fairness and opportunity, but it is nothing short of a Wall Street bailout that will imperil the economic security of workers saving for retirement.

The reality is that Wall Street is not offering opportunity but exposure to the dangerous and unsuitable risks of private equity. Exposure to high fees. Exposure to illiquidity. Exposure to opacity and conflicts of interest. Exposure to trumped up valuations. Exposure to an industry that has repeatedly demonstrated it will prioritize its own profits over those of its investors, portfolio-company workers and customers, and sustainable communities.

The lack of transparency, excessive fees, illiquidity, and information asymmetry that make private equity unsuitable for retirement investors aren't bugs—they're features of the private equity industry.

Private equity firms are hoping to offload the roughly \$3 trillion in overvalued and unsellable assets onto retirement savers. Private equity firms view the \$14 trillion nest egg that workers have diligently amassed as a pocket to pick not the pathway to a more economically secure retirement.

This doesn't solve any problem that workers actually face—it solves the private equity industry's problem of where to find new money to extract fees from while their traditional investors head for the exits. But workers deserve better than to become a bailout for an industry in distress. They deserve retirement security built on transparency, fairness, and genuine alignment of interests—not on wishful-thinking valuations, asymmetric information, and fees that enrich managers regardless of performance.

# Endnotes

<sup>1</sup> Investment Company Institute (ICI 4Q 2026 Market Data). [“Release: Quarterly Retirement Market Data, Fourth Quarter 2025.”](#) March 26, 2026; The White House. [“Fact Sheet: President Donald J. Trump Democratizes Access to Alternative Assets for 401\(k\) Investors.”](#) August 7, 2025.

<sup>2</sup> Private equity firms have been wanting to tap workers’ 401(k) for at least over a decade now. See Appelbaum, Eileen. [“Private equity is coming for your nest egg.”](#) *The Hill*. November 14, 2014; [ICI 4Q 2026 Market Data](#).

<sup>3</sup> Executive Office of the President Donald Trump. Executive Order 14330. [“Democratizing Access to Alternative Assets For 401\(K\) Investors.”](#) August 7, 2025. 90 Fed. Reg. 153. August 12, 2025 at 38921 to 38923.

<sup>4</sup> During the Biden administration, the U.S. Department of Labor (DOL) released a guidance letter cautioning fiduciaries about the risks of offering private equity options to plan participants. The Trump DOL rescinded the 2021 guidance in August 2025, five days after Trump issued an executive order instructing agencies to make it easier for private equity to gain access to defined contribution retirement accounts. See, DOL. [“U.S. Department of Labor Supplement Statement on Private Equity in Defined Contribution Plan Designated Investment Alternatives.”](#)

Informational Letter. December 21, 2021; DOL. [Press release]. [“US Department of Labor rescinds 2021 supplemental statement on alternative assets in 401\(k\) plans.”](#) August 12, 2025

<sup>5</sup> Gara, Antoine. [“Private equity to lobby Donald Trump for access to savers’ retirement funds.”](#) *Financial Times*. January 6, 2025; Cumming, Chris (Cumming. September 2025). [“Private equity ramps up PR branding efforts for 401\(k\) push.”](#) *Wall Street Journal*. September 1, 2025.

<sup>6</sup> Cumming. [September 2025](#).

<sup>7</sup> Ayash, Brian and Mahdi Rastad. California Polytechnic State University. [“Leveraged Buyouts and Financial Distress.”](#) July 19, 2019; Bhardwaj, Abhishek et al. University of North Carolina. Institute for Private Capital. [“Leveraged Payouts: How Using New Debt to](#)

[Pay Returns in Private Equity Affects Firms, Employees, Creditors, and Investors.”](#) July 1, 2024 at 4.

<sup>8</sup> See Americans for Financial Reform. [“America for Sale? An Examination of the Practices of Private Funds.”](#) Testimony Submitted to the Committee on Financial Services. U.S. House of Representatives. November 2019; Woodall, Patrick and Oscar Valdés Viera. Americans for Financial Reform Education Fund. [“Double Exposure: Retail Workers Hammered by Combo Crisis of Pandemic and Private Equity.”](#) December 2020; Americans for Financial Reform Education Fund. [“The Deadly Combination Of Private Equity And Nursing Homes During A Pandemic.](#) August 2020; Valdés Viera, Oscar et al. Americans for Financial Reform Education Fund. [“Private Equity Ownership of U.S. Power Plants: A Hidden Climate Threat.”](#) May 2022.

<sup>9</sup> Kehnscherper, Leonard (Kehnscherper). [“Private equity fundraising plunges amid struggle to return cash.”](#) *Bloomberg*. May 27, 2025.

<sup>10</sup> Foerster, Han-Henrik and Laura Benitez (Foerster & Benitez). [“Most private equity investors fear cash is stuck in zombie funds.”](#) *Bloomberg*. June 11, 2024; Gillers, Heather (Gillers 2024). [“Pensions piled into private equity. Now they can’t get out.”](#) *Wall Street Journal*. June 15, 2024.

<sup>11</sup> MacArthur, Hugh et al. (MacArthur et al.). Bain & Company. [“Leaning Into the Turbulence: Private Equity Midyear Report 2025.”](#) 2025.

<sup>12</sup> Sonti, Samir. AFT and Americans for Financial Reform Education Fund. [“Lifting the Curtain on Private Equity.”](#) 2021; AFT, Americans for Financial Reform Education Fund, American Association of University Professors (AFT, AFREF & AAUP). [“From Public Pensions to Private Fortunes: How Working People’s Retirements Line Billionaire Pockets.”](#) July 30, 2025; Heal, Alexandra (Heal). [“Private market funds lag US stocks over short and long term.”](#) *Financial Times*. June 11, 2025.

<sup>13</sup> Armental, Maria (Armental). [“The PE paradox: Volatility fuels new deals as old assets sit frozen in portfolios.”](#) *Wall Street Journal*. May 13, 2026.

<sup>14</sup> [Kehnscherper](#).

<sup>15</sup> Farrell, Maureen and Lauren Hirsch (Farrell & Hirsch). "[Yale is rushing to sell billions in private equity investments.](#)" *New York Times*. June 10, 2025; Biswas, Pritam and Ateev Bhandari (Biswas & Bhandari). "[Harvard University exploring \\$1 billion of private equity stakes sale, source says.](#)" *Reuters*. April 24, 2025.

<sup>16</sup> [MacArthur et al.](#)

<sup>17</sup> [ICI 4Q 2026 Market Data.](#)

<sup>18</sup> See, DOL. Employee Benefits Security Administration (DOL EBSA). "[Private Pension Plan Bulletin. Abstract of 2023 Form 5500 Annual Reports. Data Extracted on 6/30/2025.](#)" September 2025. "In 1975, the first year after ERISA was passed, one-third of all private pension plans filing the Form 5500 were DB plans. By 1990, this share fell to less than 16 percent, and it dropped to about 7 percent by 2000. Since then, the DB plan share has remained relatively stable though the mix has changed. The number of large DB plans continued to decrease while the number of small DB plans increased from 2012 to 2023. DB plan participation peaked and held steady through the 2000s at roughly 42 million total participants before beginning to decline in 2009. In 2023, there were just over 29 million total participants in DB Plans."

<sup>19</sup> According to the most recent data available. *Ibid.* at Table A1 at 3.

<sup>20</sup> In 2022, only 45.6 percent of families had defined contribution retirement savings account assets Federal Reserve Board. Survey of Consumer Finances 2022. Retirement Accounts by All Families [Percent Holding](#) and [Retirement Account Median Value by Percentile of Income](#). 2023.

<sup>21</sup> 29 U.S.C. §1001(a).

<sup>22</sup> U.S. Securities and Exchange Commission (SEC). "[Exchange Act Reporting and Registration](#)" Last Reviewed or Updated: September 22, 2025.

<sup>23</sup> See, SEC. "[Private Funds.](#)" Last Reviewed or Updated: April 24, 2026. "Private funds are not required to be registered or regulated as investment companies under federal securities laws. A private fund cannot publicly offer its securities.... And raise capital from investors through exempt offerings, which means the offering must fall within an exemption from registration under the Securities Act of 1933;" See also, Appelbaum, Eileen and Rosemary Batt. Center for Economic and Policy Research (CEPR). "[A Primer on Private Equity at Work.](#)" February 2012 at 5 to 7.

<sup>24</sup> See, SEC. "[Accredited Investors.](#)" Last Reviewed or Updated: April 24, 2026.

<sup>25</sup> The Fifth Circuit Court of Appeals vacated a SEC rule restricting certain preferential redemption and information practices in side letters. See, Gensler, Gary. SEC. "[Statement on Private Fund Advisers.](#)" August 23, 2023; Begenau, Juliane and Emil Siriwardane (Begenau & Siriwardane). "[How do Private Equity Fees Vary Across Public Pensions?](#)" Working Paper 29887. National Bureau of Economic Research. March 2022; de Fontenay, Elisabeth (de Fontenay). Duke University. "[Examining Private Market Exemptions as a Barrier to IPOs and Retail Investment.](#)" Testimony Before the Committee on Financial Services, Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets. United States House of Representatives. September 11, 2019 at 8 to 10.

<sup>26</sup> Carta. "[ASC 820: A fund's guide to fair value measurement.](#)" November 26, 2025.

<sup>27</sup> According to Pitchbook, the median hold times for U.S. private equity-backed companies was six years in 2025. Pitchbook. "[Q1 2026 US PE Breakdown.](#)" April 14, 2026 at 23.

<sup>28</sup> Weil, Jonathan. "[Funds are booking big one-day windfalls buying private-equity stakes.](#)" *Wall Street Journal*. June 7, 2024; Weil, Jonathan. "[How one big private-equity fund makes its numbers incomprehensible.](#)" *Wall Street Journal*. August 13, 2025; Jenkinson, Tim, Miguel Sousa, and Rüdiger Stucke (Jenkinson, Sousa & Stucke). University of Oxford. University of Porto. "[How Fair are the Valuations of Private Equity Funds?](#)" February 27, 2013.

<sup>29</sup> [de Fontenay](#) at 9.

<sup>30</sup> Sorkin, Andrew Ross (Sorkin). "[The rules of investing are being loosened. Could it lead to the next 1929?](#)" *New York Times*. October 13, 2025 (Updated October 20, 2025); Klein, Matthew C. (Klein). "[Private equity's mark-to-make-believe problem.](#)" *Financial Times*. April 6, 2026.

<sup>31</sup> [Klein](#).

<sup>32</sup> Americans for Financial Reform Education Fund. "[Private Equity Industry Overstates Returns, Downplays Fees and Risks.](#)" February 2020; Brown, Gregory W., Oleg R. Gredil, and Steven N. Kaplan (Brown, Gredil & Kaplan). "[Do private equity funds manipulate reported returns?](#)" *Journal of Financial Economics*. Volume 132, Issue 2, May 2019.

<sup>33</sup> [Jenkinson, Sousa & Stucke](#); [Brown, Gredil & Kaplan](#).

<sup>34</sup> [Sorkin](#).

<sup>35</sup> Appelbaum, Eileen. CEPR. "[Private Equity: In the Doldrums and Out of Favor with Some Institutional Investors](#)." January 7, 2026.

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.* "Zombie funds are funds that are 10 or more years old and still have not liquidated all of their portfolio companies and distributed the proceeds to their investors. The PE firm continues to collect management fees from the investors (referred to as limited partners or LPs), but there is little chance the fund will be able to sell or IPO many of the remaining companies at the price they value them at in investor reports. Currently, these funds return 44 cents on the dollar to investors."; [Foerster & Benitez](#); [Gillers 2024](#).

<sup>38</sup> Nair, Dinesh, Matthew Martin, and Fiona MacDonald (Nair, Martin & MacDonald). "[Private equity is troubled, \\$1 trillion Kuwait fund's boss warns](#)." *Bloomberg*. May 21, 2025.

<sup>39</sup> Jefferies. "[H1 2025 Global Secondary Market Review](#)." July 2025 at 6.

<sup>40</sup> Allison McNeely et al. "[Yale's \\$2.5 billion private equity sale tests its vaunted endowment model](#)." *Bloomberg*. June 6, 2025.

<sup>41</sup> According to Vanguard, one in three participants in the company's 401(k) plans who left a job in 2023 withdrew their entire account as a lump-sum payout instead of rolling it over into a new employer plan or other account. See Vanguard. "[Emergency savings protect retirement savings](#)." Research Note. June 2025.

<sup>42</sup> Vanguard. "[How America Saves](#)." Viewpoints. June 2025 at Figure 112 at 102; Ostrowski, Jeff. "[Younger homeowners more likely to have used retirement savings for a down payment — should you?](#)" *Bankrate*. March 11, 2024.

<sup>43</sup> Collinson, Catherine and Heidi Cho. Transamerica Institute. "[An Uncertain Future: Retirement Prospects of 4 Generations](#)." 25th Annual Transamerica Retirement Survey of Workers. June 2025 at 35.

<sup>44</sup> Francis, Dania V. and Christian E. Weller. "[Interfamily financial dependence and retirement savings](#)." *Journal of Retirement Race, Gender, and Retirement*. Vol. Iss. 4. 2022; Choukhmane, Taha et al. (Choukhmane et al.). National Bureau of Economic Research. "[Who Benefits from Retirement Saving Incentives in the U.S.?](#)" NBER Working Paper 32843. August 2024; U.S. Government Accountability Office (GAO). "[Retirement Savings: Additional Data and Analysis Could Provide Insight into Early Withdrawals](#)." Report to the Special Committee on Aging, U.S. Senate. GAO-19-179. March 2019.

<sup>45</sup> Over half of all eviction filings are against Black renters (51.1%). Hepburn, Peter, Renee Louis, and Matthew Desmond. "[Racial and gender disparities among evicted americans](#)." *Sociological Science*. Vol. 7. December 16, 2020; Also see Graetz, Nick et al. "[Who is evicted in America](#)." Eviction Lab. October 3, 2023.

<sup>46</sup> [Choukhmane et al.](#)

<sup>47</sup> Holmes, Tamara E. AARP. "[How early 401\(k\) withdrawals widen the racial retirement gap](#)." September 5, 2024.

<sup>48</sup> Dayforce. "[The Retirement Divide](#)." 2025.

<sup>49</sup> GAO. "[Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time](#)." GAO-23-105342. July 2023 at 20.

<sup>50</sup> Plan Sponsor Council of America. "[What recent developments in litigation and DOL enforcement mean for plan sponsors](#)." May 1, 2025.

<sup>51</sup> Encore Fiduciary. "[ERISA fiduciary litigation in 2025: Plaintiff law firms continue the frenetic pace, with broader allegations against both retirement plans and health plans](#)." February 9, 2026.

<sup>52</sup> Halonen, Doug. "[Cat settles 401\(k\) fee lawsuit for \\$16.5 million](#)." *Pensions & Investments*. November 6, 2009.

<sup>53</sup> Barret, William P. "[Walmart, Merrill Lynch agree to pay \\$13.5 million to settle 401\(k\) fiduciary lawsuit](#)." *Forbes*. December 5, 2011.

<sup>54</sup> Wille, Jacklyn. "[ABB, workers get early approval for \\$55M 401\(k\) settlement](#)." *Bloomberg Law*. April 3, 2019.

<sup>55</sup> Zhao, Jimmy et al. McKinsey & Company. "[The US retirement industry at a crossroads](#)." April 16, 2025.

<sup>56</sup> See DOL EBSA. "[Fiduciary Duties in Selecting Designated Investment Alternatives](#)." 29 CFR Part 2550. RIN 1210-AC38. Proposed Rule at 16096. "Proposed paragraph (h) further provides that section 404(a)(1)(B) of ERISA and paragraph (h) of the proposal are not violated solely because the fiduciary does not select the alternative with the lowest fees and expenses from among the reasonable number of alternatives considered."

<sup>57</sup> McGee, Suzanne and Isla Binnie. "[Trump's 401\(k\) order offers retirement savers crypto, private assets, but also higher fees and more risk](#)." *Reuters*. August 11, 2025.

<sup>58</sup> Erel, Isil, Thomas Flanaga, and Michael S. Weisbach. "[Risk-Adjusting the Returns to Private Debt Funds](#)." National Bureau of Economic Research. Working Paper No. 32278. March 2024 at 5.

<sup>59</sup> ICI. [News release]. "[Mutual fund and ETF fees remained near historic lows in 2025](#)." March 25, 2026; Light, Joe and Bill Alpert. "[For target date fund see](#)

---

[private equity is headed for your 401\(k\). The industry is Celebrating. Should you?](#) *Barron's*. August 22, 2025.

<sup>60</sup> Morningstar. ["2026 Annual US Fund Fee Study."](#) May 2026 at 5.

<sup>61</sup> Fidelity. ["We're raising the bar on value."](#) Accessed May 2026.

<sup>62</sup> Baker, Jim and Alyssa Giachino (Baker & Giachino). Private Equity Stakeholder Project. ["Private Equity Lags Stocks for Retail Investors"](#) January 27, 2026

<sup>63</sup> Lim, Wayne. ["Assessing private markets: What does it cost?"](#) *Financial Analysts Journal*. Vol. 80, Iss. 4. October 11, 2024 at 28.

<sup>64</sup> Cumming, Chris. ["Private-equity fees prove sticky despite three-year slump."](#) *Wall Street Journal*. October 27, 2025.

<sup>65</sup> Kephart, Jason. ["5 things you need to know about interval fund fees."](#) Morningstar. August 28, 2025.

<sup>66</sup> Wirz, Matt. ["Pension funds want private equity to open up about fees and returns."](#) *Wall Street Journal*. January 22, 2025.

<sup>67</sup> [Begeau & Siriwardane](#) at 43.

<sup>68</sup> [AFT, AFREF & AAUP](#).

<sup>69</sup> [Heal](#).

<sup>70</sup> Gillers, Heather. ["The Ivies are having second thoughts about investing in private equity."](#) *Wall Street Journal*. February 15, 2026.

<sup>71</sup> For studies documenting the decline in returns to private equity investors over time, see multiple studies cited in [de Fontenay](#): Robert S. Harris, Tim Jenkinson & Steven N. Kaplan. "How do private equity investments perform compared to public equity?"; Ludovic Phalippou. "Performance of buyout funds revisited."; Ludovic Phalippou & Oliver Gottschalg. "The performance of private equity funds."; Berk A. Sensoy, Yingdi Wang & Michael S. Weibach. "Limited partner performance and the maturing of the private equity industry."

<sup>72</sup> Phalippou, Ludovic. ["An Inconvenient Fact: Private Equity Returns & The Billionaire Factory."](#) University of Oxford, Said Business School. Working Paper. June 10, 2020.

<sup>73</sup> Aubry, Jean-Pierre and Yimeng Yin. ["How Do Public Pension Plan Returns Compare to Simple Index Investing?"](#) Center for Retirement Research at Boston College. June 18, 2024. See, Table 1 at 2.

<sup>74</sup> *Ibid.* at 4.

<sup>75</sup> [Baker & Giachino](#).

<sup>76</sup> [Armental](#).

<sup>77</sup> James, Rod. ["PE firms started selling companies at a loss last year."](#) Pitchbook. May 14, 2026.

<sup>78</sup> Gara, Antoine and Alexandra Heal. ["Big investors look to sell out of private equity after market rout."](#)

*Financial Times*. April 6, 2025; [Nair, Martin & MacDonald](#); Benitez, Laura, Dawn Lim, and Allison McNeely (Benitez, Lim & McNeely). ["Elite colleges lead a rush for the exits of private equity."](#) *Bloomberg*. May 6, 2025.

<sup>79</sup> [Kehnscherper](#).

<sup>80</sup> Fishlow, Olivia et al. ["Private credit rolls loans into new funds to repay investors."](#) *Bloomberg*. June 5, 2025.

<sup>81</sup> Tergesen, Anne and Dylan Tokar. ["Private credit is reeling, but new rule may allow it into 401\(k\)s."](#) *Wall Street Journal*. March 30, 2026; Wirz, Matt. ["KKR private-credit fund takes \\$560 million loss."](#) *Wall Street Journal*. May 11, 2026; Rovnick, Naomi. ["Private credit funds slash loan values as borrower stress rises."](#) *Reuters*. May 12, 2026; Sarin, Natasha. ["This is starting to look like a slow-motion bank run."](#) *New York Times*. April 6, 2026.

<sup>82</sup> Zweig, Jason. ["The future ain't what it used to be for these funds."](#) *Wall Street Journal*. June 6, 2025.

<sup>83</sup> McLean, Bethany. ["Why private equity needs you more than you need them."](#) *Washington Post*. September 18, 2025; Reid, Jenni and Julianna Tatelbaum. ["Peak private equity? Sector gets defensive about its ability to generate top returns."](#) *CNBC*. June 6, 2025; [Gillers 2024](#).

<sup>84</sup> Gara, Antoine. ["Blue Owl retail fundraising evaporates amid private credit concerns."](#) *Financial Times*. May 12, 2026.

<sup>85</sup> Angelo Vidal, Karl and Annie Sabater. S&P Global. ["PE-backed company bankruptcies in US reach record high in 2024."](#) January 9, 2025.

<sup>86</sup> [Foerster & Benitez](#).

<sup>87</sup> Gottfried, Miriam. ["The Private-Equity Maneuver Allowing More Investors to Cash Out."](#) *Wall Street Journal*. July 13, 2025.

<sup>88</sup> Yu, Sun. ["Private equity's new escape hatch keeps unsold companies in limbo."](#) *Financial Times*. May 20, 2026.

<sup>89</sup> [Gillers 2024](#).

<sup>90</sup> [Farrell & Hirsch](#); [Biswas & Bhandari](#); Kaissar, Nir. ["Harvard and Yale Will Finally Lift the Veil on Private Assets."](#) *Bloomberg*. June 12, 2025; [Benitez, Lim & McNeely](#).