

Private equity lags stocks as Trump DOL moves to expand 401(k) access

New analysis raises concerns for retirement savers as federal regulators consider opening 401(k)s to private equity investments.

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As the Department of Labor moves toward finalizing rule changes that could make it easier for private equity investments to be included in 401(k) retirement plans, [new analysis from](#)

[the Private Equity Stakeholder Project](#) (PESP) finds that private equity funds marketed to everyday investors have significantly underperformed public stock market indexes while charging far higher fees.

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*Jim Baker, executive director,
PESP*

retirement savings over time.”

Key findings from the analysis include:

- Private equity lags stocks: In 2025, the median private equity evergreen fund returned significantly less than what broad public stock market indexes returned, even before accounting



The analysis examines the largest private equity “evergreen” funds, which are often cited by the industry as potential models for inclusion in 401(k) retirement plans.

“These findings raise serious questions for retirement savers at a moment when federal regulators are considering changes that could open the door wider to private equity in 401(k)s,” said Jim Baker, executive director at PESP. “Private equity firms are pitching these products as opportunities for everyday workers, but the data suggests that some of these funds have lagged the stock market while charging fees that can significantly erode

for sales charges.

- Underperformance over time: Over the past three years, these private equity funds delivered roughly half the returns of public equities, including the S&P 500.
- High fees for lower returns: Some of the largest private equity evergreen funds charge annual expense ratios approaching 4 to 5 percent, compared with roughly 0.03 percent for a basic S&P 500 index fund.
- Fees compound long-term losses: High annual fees and sales charges can significantly reduce retirement balances over time, particularly for long-term 401(k) savers.
- Pensions are pulling back: Public pension funds across the country are reducing their private equity allocations, citing weaker performance, liquidity constraints, high costs, and growing risk.

The analysis also highlights a growing disconnect between how private equity is being marketed to individual retirement savers and how large institutional investors are responding to the asset class. Multiple pension systems have warned that private equity's long-touted performance advantage has faded. In the past year alone, [nearly one-third of public pension funds reduced their private equity](#) allocations, according to industry reporting, citing weaker returns, liquidity risks, and high fees.

"If public pension funds with deep resources and fiduciary oversight are deciding private equity no longer justifies the risk, that should give everyday 401(k) savers and regulators pause," said Baker. "These are the same workers now being encouraged to take on higher-risk, higher-fee investments in their retirement accounts."

Read the full analysis here: pestakeholder.org/reports/private-equity-underperforms

Matt Parr

Private Equity Stakeholder Project

+1 773-234-4855

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