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U.S. ERISA Significant Participation Rules

Lawrence Davidson
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Significant Participation Rules

- One of the exceptions to a plan's investment in a Fund causing an undivided interest in each of the Fund's portfolio assets being considered a plan asset is that the investment by the Benefit Plan Investors (BPIs) is considered "not significant".
- The following are **not** considered plan assets:
 - Publicly-traded securities
 - Debt securities
 - Registered investment companies under the Investment Company Act of 1940
 - Operating companies, which include:
 - Venture Capital Operating Company ("VCOC")¹
 - Real Estate Operating Company ("REOC")¹
 - Participation by BPIs is "not significant"; i.e., Aggregate Investment by BPIs is less than 25%

¹ See *U.S. ERISA VCOC Exemption and REOC Exemption* presentation discussing these concepts.

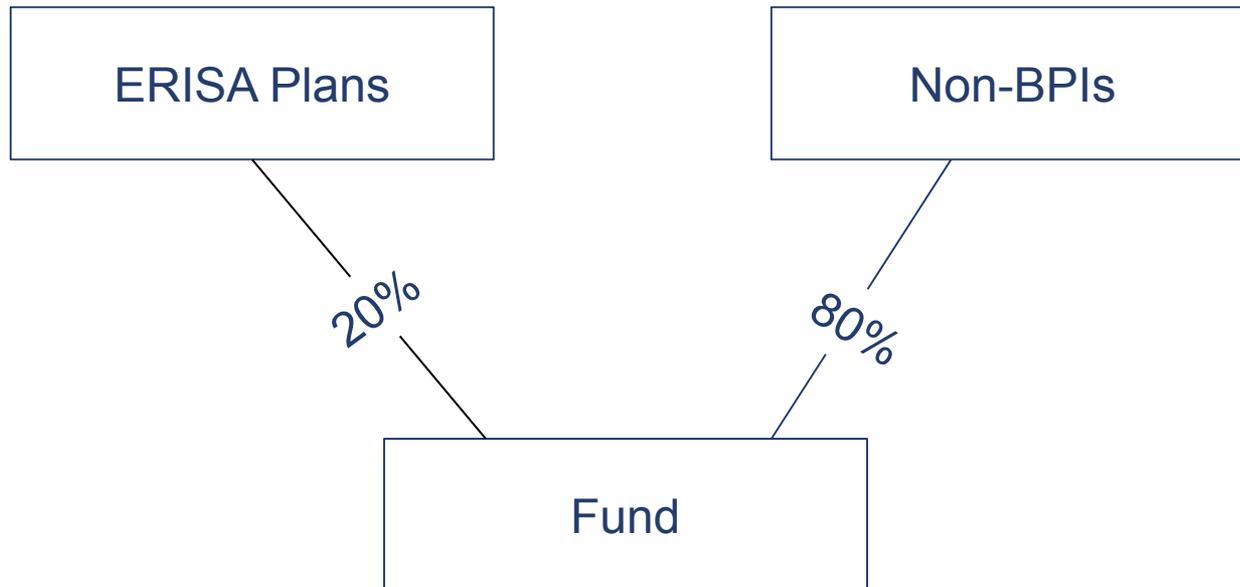
Significant Participation Rules

- BPIs include:
 - Employee benefit plans subject to fiduciary rules of ERISA. These are discussed in other sections in U.S. ERISA
 - Plans subject to Internal Revenue Code Section 4975(e)(1), e.g. IRAs¹
 - Entities deemed to hold “plan assets” by reason of a plan’s investment in the entity, but only to the extent of the percentage of its equity interests held by BPIs
- BPIs do not include:
 - Foreign plans
 - Government plans
 - Church plans (generally)

¹ If the BPIs only consist of non-ERISA IRAs, the Fund will not be subject to ERISA, even if the IRA investment is 25% or greater. However, if there are both employee benefit plans and IRAs as investors, the IRA interests are counted for purposes of the 25% test.

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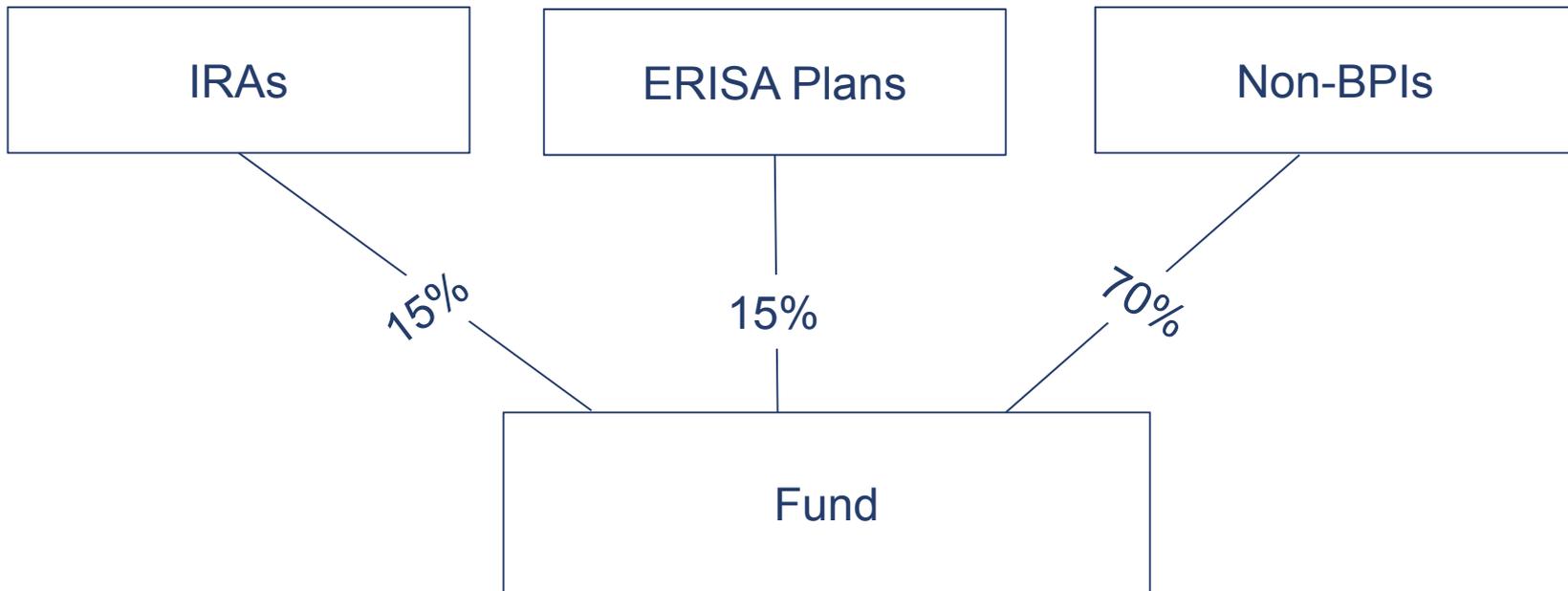
Example 1



BPI % = 20%: Fund not deemed to hold plan assets

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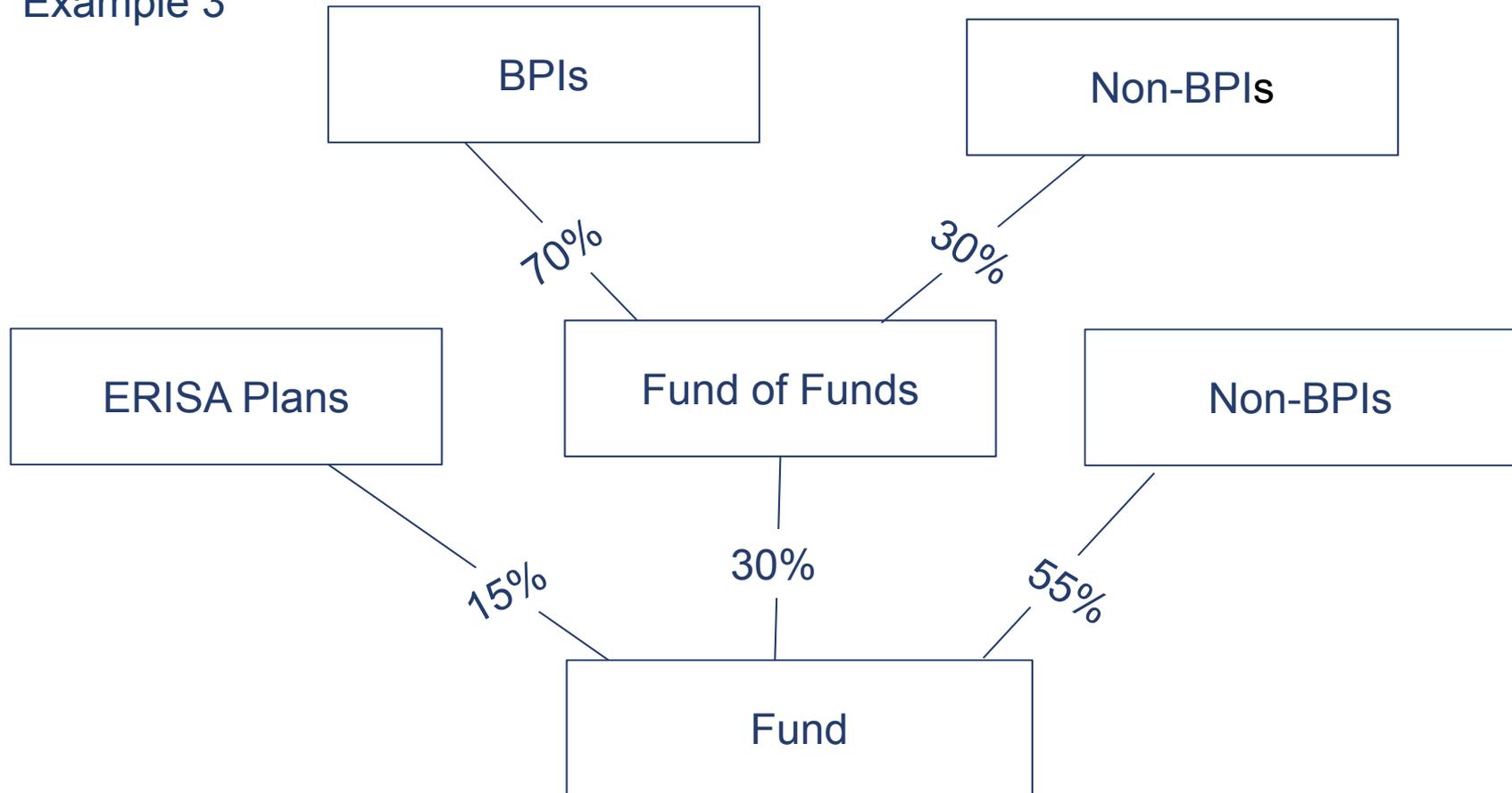
Example 2



BPI % = 30%: Fund deemed to hold plan assets

Significant Participation Rules

Example 3



BPI % of Fund = 15% + (70% x 30%) = 36%: Fund is deemed to hold plan assets