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Federal Court Finds Private Equity Funds Liable for Pension Liabilities of Portfolio Company

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In a much-anticipated decision addressing the reach of multiemployer pension plans in imposing withdrawal liability, a U.S. District Court recently ruled that three private equity funds were engaged in a “trade or business” and their investment in a portfolio company was made through a “partnership-in fact,” thereby subjecting the funds to withdrawal liability. The ruling in *Sun Capital Partners III, LP v. New England Teamsters & Trucking Indus. Pension Fund* by the U.S. District Court for the District of Massachusetts comes almost three years after the high-profile decision of the U.S. Court of Appeals for the First Circuit that one of the funds managed by Sun Capital Advisors (“Sun Capital”) was engaged in a “trade or business,” setting the stage for the district court’s recent decision. In this article, partners Ian Levin, Ronald Richman and Holly Weiss and special counsel Scott Gold discuss the decision and its implications.

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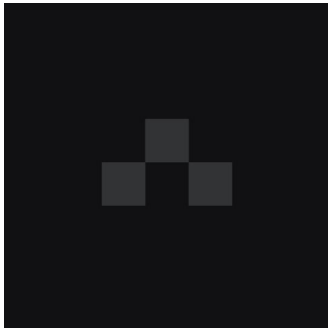
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