U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Washington, DC 20548

July 12, 2019

The Honorable Robert C. "Bobby" Scott
Chairman
Committee on Education and Labor
House of Representatives

RETIREMENT SECURITY: Trends in Corporate Restructurings and Implications for Employee Pensions

Dear Chairman Scott:

Participants' retirement benefits are often dependent on the financial well-being of their employers.[1] Employers offer pensions on a voluntary basis, and may decide to freeze or terminate a defined benefit (DB) plan at any time for financial and non-financial reasons.[2] For defined contribution (DC) plans, such as employer-sponsored 401(k) plans, financial difficulties could also diminish an employer's ability to make employer contributions. For example, researchers noted that, in the wake of the latest financial crisis, plan sponsors that suspended 401(k) employer matching contributions were likely to be less liquid than those that did not. In 2010, researchers estimated that, during or following the financial crisis of 2008, nearly 5 percent of plan participants experienced a suspension of voluntary employer matching

[1]In this report, we use the term "pension" to include non-governmental defined benefit plans sponsored by one employer and defined contribution plans.

[2]Defined benefit plans are employer-sponsored retirement plans that traditionally promise to provide a benefit for the life of the participant, based on a formula specified in the plan that typically takes into account factors such as an employee's salary, years of service, and age at retirement. In contrast, defined contribution plans allow participants to accumulate savings in an individual account based on the contributions made to the accounts, and the performance of the investments in those accounts, which may fluctuate in value. For additional details, see Government Accountability Office, *The Nation's Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security*, GAO-18-111SP, (Washington, D.C.: October 2017).

contributions.[3] Over the last 4 decades, private sector pension coverage has moved away from DB plans in favor of DC plans—increasing portability for workers as they change jobs, but also shifting many of the risks and burdens of financing retirement from employers to employees.

Examples of corporate restructurings, such as mergers and acquisitions (M&A) or bankruptcy restructurings, show they can result in a change or elimination of benefits thus affecting the financial wellbeing of workers or retirees of the restructured firm:

- In September 2005, we reported the terminations of pension plans by US Airways and United Airlines resulted in $9.7 billion in claims on the Pension Benefit Guaranty Corporation's (PBGC) single-employer insurance program, and plan participants were estimated to have lost more than $5.3 billion in benefits that were not covered by PBGC.[4]
- The former Delphi Corporation (Delphi)—an auto supplier spun off by General Motors in 1999—filed for bankruptcy in October 2005.[5] From the period October 2007 to November 2008, Delphi froze benefits in five of its six pension plans. The "new" Delphi, which purchased the "old" Delphi's operating assets, did not assume sponsorship of the company's pension plans. Despite efforts to keep the pension plans ongoing, PBGC terminated all six of Delphi's U.S. qualified DB plans in July 2009.[6]
- Sears Holdings Corporation (Sears), the retailer, filed for bankruptcy in October 2018, and its case is still pending. However, on February 11, 2019, the PBGC took responsibility as trustee for Sears' two DB pension plans. PBGC and Sears agreed to end the plans as of January 31, 2019. According to PBGC, at the time of plan termination, the two plans combined cover about 90,000 workers and retirees of Sears, Roebuck and Co. and Kmart Corporation.

While these examples illustrate some of the potential effects of restructurings on pension benefits, less is known about the effects of corporate restructurings on pension benefits more broadly. This report provides information on the trends in corporate restructuring—in particular,

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[3]Alicia H. Munnell and Laura Quinby, *Why Did Some Employers Suspend Their 401(k) Match?*, Center for Retirement Research, Issue Brief Number 10-2, (Chestnut Hill, MA: February 2010).

[4]At termination in May 2005, United's pension plans were underfunded by $9.8 billion; while the plans promised $16.8 billion in benefits, they were backed by only $7 billion in assets. See Government Accountability Office, *Commercial Aviation: Bankruptcy and Pension Problems Are Symptoms of Underlying Structural Issues*, GAO-05-945 (Washington, D.C.: Sept. 30, 2005).

[5]Government Accountability Office, *Troubled Asset Relief Program: Automaker Pension Funding and Multiple Federal Roles Pose Challenges for the Future*, GAO-10-492 (Washington, D.C.: April 6, 2010).

[6]Government Accountability Office, Delphi Pension Plans: *GM Agreements with Unions Give Rise to Unique Differences in Participant Benefits*, GAO-12-168 (Washington, D.C.: December 15, 2011).

M&A activity—since 1999, and the implications of such events for employee and retiree single-employer pension benefits. On May 30, 2019, we briefed committee staff on our preliminary findings, and this report transmits our completed work in an updated version of the briefing slides (see enclosure I).

To determine trends in corporate restructurings since 1999, we analyzed Bloomberg Terminal (Bloomberg) data on M&A and other types of restructuring events from 1999 through 2018. We analyzed completed corporate restructurings of at least $100 million in completed value in 2018 dollars. We analyzed the UCLA-LoPucki Bankruptcy Research Database (BRD) for information on large, public bankruptcies that occurred from 1999 through 2018.[7] We found the data reliable for our purposes. We also reviewed relevant federal laws and regulations and literature, including previous GAO work, to determine and report on the options available for restructuring pensions or employee benefits for corporations undertaking a restructuring. We interviewed officials from the Department of Labor (DOL), the Department of the Treasury including the Internal Revenue Service (IRS), and PBGC as well as 11 relevant experts including academics with a background in pensions or restructurings and legal service providers who were judgmentally selected to better understand the nature, trends, and concerns for employees arising from a corporate restructuring. Enclosure II provides a more detailed description of our scope and methodology.

We conducted this performance audit from February 2018 to July 2019 in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

There are many types of corporate restructuring events. In general, corporate restructurings may be completed by privately held or publicly held companies. Generally, the company or unit

[7]We did not conduct an independent legal review of bankruptcy cases. Further, we note the BRD categorizes a company "large" if that annual report showed assets worth $100 million or more, measured in 1980 dollars (about $305 million in 2018 dollars).

being purchased in a transaction is called the “target,” and the company buying the target is called the “acquirer.” Table 1 shows common types of restructuring deals.[8]

Table 1: Common Types of Corporate Restructuring Deals

Deal type	Description
Merger and acquisition (M&A)	The acquisition or sale of control in a company or asset for strategic purposes. The acquirer purchases 50 percent or more of the target.
Buyback	The repurchase of outstanding shares by a company that reduces the number of shares on the market.
Minority purchase[a]	A minority purchase, private equity investment, or venture capital round of financing where the acquirer purchases less than 50 percent of the target.
Spin-off	The creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company.

Source: Bloomberg and GAO. | GAO-19-447R

Note: These deal types are generally defined as they appear in the Bloomberg data, where each deal is categorized in the data as one deal type and the types are mutually exclusive.

[a]For purposes of discussion in this report, we have defined the Bloomberg investment deal type—including minority purchases, private equity investments, and venture capital rounds of financing of less than 50 percent of the target—to be the minority purchase deal type for this report. Bloomberg data refer to certain non-mutually exclusive characteristics—where an acquirer without a percentage stake acquires less than 50 percent of a company—as minority purchases. We do not separately report on the valuation of minority purchases as a characteristic in this report.

Within these common types of restructuring deals, there are additional restructuring deal characteristics, and the specific facts of a deal may result in a combination of characteristics within a particular restructuring deal. For example, a merger or acquisition involving a firm may also more specifically include a company takeover by a cross border firm. Table 2 shows selected corporate restructuring characteristics.[9]

[8]Unless otherwise noted, we define these terms as they appear in Bloomberg data. Each deal in the Bloomberg data is categorized as one deal type and the type categories are mutually exclusive. Alternative or more detailed definitions of corporate restructuring terms may exist, but, unless otherwise noted, we use Bloomberg terminology throughout the report to maintain consistency of terms with the data presented.

[9]According to Bloomberg, these deal characteristics are not mutually exclusive. For example, any completed M&A deal can have a number of potential characteristics, including company takeover, cross border, and private equity involvement. In total, Bloomberg includes more than 40 different deal characteristics in its database. We analyzed the top 13 characteristics by announced deal value. Further, Bloomberg captures some bankruptcies filed at the time an M&A, spin-off, buyback, or minority purchase deal was announced. However, our analysis of Bloomberg data indicated it does not fully capture bankruptcies that occur subsequent to the initial M&A deal or other event. By contrast, the BRD aims to capture all large bankruptcies in its data. The type of bankruptcy related to restructuring—where the company reorganizes so it may continue some or all of its operations—is Chapter 11.

Table 2: Selected Corporate Restructuring Characteristics

Characteristic	Description
Company takeover	Indicates a target company is fully acquired; either 100 percent full purchase of the company or the remainder of the company, which brings acquirer ownership of the target to 100 percent.
Cross border [a]	A transaction in which the acquirer's country is not the United States.
Private equity involvement	A transaction that involves equity capital that is not quoted on a public exchange, whether the private equity firm is acquiring another company or selling company assets. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity.
Bankruptcy	An acquisition of a company or the assets of a company either through a liquidation, wind down, dissolution, or bankruptcy.

Source: Bloomberg and GAO. | GAO-19-447R

Note: These characteristics are generally defined as they appear in Bloomberg data. These characteristics are not mutually exclusive; more than one characteristic can occur in any corporate restructuring. In total, Bloomberg includes more than 40 different characteristics in its database.

[a]Bloomberg defines a cross border transaction as one in which the target or acquirer's country of risk is different than the other entity involved in the transaction. Bloomberg determines a corporation's country of risk according to four factors listed in order of importance: management location, country of primary (bond) listing, country of revenue, and reporting currency of (any bond) issuance. Our analysis is of U.S. targets only, therefore our modified definition in this report for cross-border indicates a non-U.S. acquirer.

For additional detail on the specific definitions of some of the types of deals, characteristics, and other relevant corporate restructuring terms we used in this report, see enclosure III.

The Employee Retirement Income Security Act of 1974 (ERISA), as amended, contains various provisions intended to protect the interests of plan participants and beneficiaries in most private sector employer-sponsored retirement plans, and some provisions may be relevant if a corporation intends to make changes to its employer-sponsored pension plan.[10] Among other things, Title I of ERISA includes provisions related to reporting and disclosure, fiduciary responsibility, and minimum standards and requirements for retirement plan participation, vesting, benefit accrual, and funding. In addition, ERISA gives participants the right to bring a civil action to recover benefits, enforce plan terms, or as a result of breaches of fiduciary duty. DOL is responsible for, among other things, administering the reporting and disclosure and fiduciary responsibility provisions in Title I. IRS, in addition to being responsible for administering the Internal Revenue Code requirements for qualified retirement plans, is responsible for interpreting most of the participation, vesting, and funding provisions of Title I of ERISA.

[10]See Pub. L. No. 93-406, 88 Stat. 832 (codified as amended in scattered sections of 26 and 29 U.S.C.). Title I of ERISA, including the requirements relating to reporting and disclosure and fiduciary responsibility, generally does not apply to governmental plans or plans "maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens," among others. See 29 U.S.C. § 1003(b).

Additionally, Title IV of ERISA provides for plan termination insurance for qualified defined benefit plans. ERISA established the PBGC to insure pension benefits of participants in qualified DB plans should the plans be terminated with insufficient funds or become insolvent. For example, when an underfunded PBGC-insured single-employer DB plan terminates, PBGC takes over the plan's assets, administration, and payment of plan benefits up to statutory limits.[11]

According to DOL, there were about 121 million participants in retirement plans sponsored by individual employers in 2016, including about 25.6 million participants in DB plans, and about 95.5 million participants in DC plans.[12] When a qualified plan terminates—whether it is a DB or DC plan—federal law generally requires plan participants to immediately be vested in all accrued benefits to the date of termination (to the extent DB plan benefits are funded).[13] A plan sponsor is required to distribute assets from a terminated plan as soon as administratively feasible.[14]

In summary, we found the following:

- **Over the past 20 years, M&A tended to happen more frequently during periods of economic expansion.** We found M&A activity comprised the largest share of corporate restructurings from 1999 through 2018. In terms of completed deal values, M&A activity experienced relative peaks in 2000, 2007, 2015-2016, and 2018. The number of M&A deals followed a similar trend. Buyouts, minority purchases, and spin-offs accounted for about 10 percent of deal value. Further, we found company takeovers comprised the largest share of completed M&A deals during the time period, and many completed deals included private equity involvement. Since 2009, M&A deals, on average, have tended to be completed in shorter time frames. In contrast, large bankruptcies—those $305 million or more in 2018 dollars—occurred during periods of economic distress and peaked during the two most recent recessions.

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[11]PBGC also oversees the voluntary ("standard") termination of fully-funded PBGC-insured single-employer DB plans to ensure participants will receive the benefits to which they are entitled. Unlike an involuntary termination of an underfunded plan, PBGC does not become responsible for benefit payments under a standard termination. According to PBGC, in fiscal year 2018, PBGC paid $5.8 billion in benefits to more than 861,000 retirees in more than 4,900 plans.

[12]See Employee Benefits Security Administration, United States Department of Labor, *Private Pension Plan Bulletin Historical Tables and Graphs*, 1975-2016. Washington, D.C., Dec. 2018. The number of participants may include double counting of workers in more than one plan, such as a worker that participates in both a DC and a DB plan. Thus, the number of unique participants is likely to be less than the 121 million total participants.

[13]See 26 U.S.C. § 411(d)(3).

[14]See Rev. Rul. 89-87, 1989-27 I.R.B. 5.

- **Effects of corporate restructuring on pension benefits are generally unclear.** Limited data make it difficult to understand or determine the effects, if any, of corporate restructurings on pension benefits. Bloomberg and the BRD may not contain the full array of restructuring events and do not include data or other key information on pension plans. In addition, pension benefit changes may be made with or without regard to any underlying restructuring event and such restructurings could result in business and economic efficiencies. One expert stated that, as with corporate restructuring events, the acquiring firm will often harmonize their benefits so the target firm's benefits are made similar to the acquiring firm. Thus, some employees could obtain access to another company's pension and benefit programs. Other experts told us that a corporate restructuring may prompt a company to re-think its companies' employee benefit structures. Moreover, a few experts said there is less time for some stakeholders, including employees and retirees, to determine how the restructuring will impact their pension plan. As a consequence, these experts said affected stakeholders, including retirees and the PBGC may be excluded from certain negotiations. Bankruptcy reorganization may help a company eliminate or restructure debts it cannot repay and may help creditors receive some payment in an equitable manner. However, bankruptcy can be a contentious process where stakeholders compete for assets that are often diminishing in size. Employees might lose access to an employer sponsored pension as our analysis of BRD data found that, on average, firms emerge from bankruptcy with over one-quarter fewer employees than they had prior to filing for bankruptcy.

Agency Comments

We provided a draft of this report to the Department of Labor (DOL), the Department of the Treasury (Treasury) including the Internal Revenue Service (IRS), the Pension Benefit Guaranty Corporation (PBGC), the Securities and Exchange Commission (SEC), and the Administrative Office of the U.S. Courts (AOUSC) for review and comment. We received technical comments from Treasury, IRS, PBGC and AOUSC, which we incorporated as appropriate. DOL and SEC provided no comments.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Labor, Secretary of the Treasury, the Director of the PBGC, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff members have any questions about this report, please contact me at (202) 512-7215 or jeszeckc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Dave Lehrer (Assistant Director), Charles Ford and Jessica Moscovitch (Analysts in Charge), James Bennett, Lilia Chaidez, Michelle Munn, Jessica Orr, Cady Panetta, Rhiannon Patterson, Rachel Stoiko, Frank Todisco, Hannah Weigle, and Adam Wendel.

Sincerely yours,

Charles A. Jeszeck
Director, Education, Workforce, and Income Security Issues

Enclosures – 3

Retirement Security: Trends in Corporate Restructurings and Implications for Employee Pensions

Briefing for Congressional Staff
Committee on Education and Labor
House of Representatives

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Overview

- Introduction
- Objectives, Scope, and Methodology
- Summary
- Background
- Observations

Introduction: Corporate Restructurings and Their Implications for Workers' Pensions

- Corporate restructurings and their many forms are frequent and an aspect of a dynamic economy. For example:
  - Bankruptcy of Delphi Corp. (2005);
  - Bankruptcies of Toys 'R' Us (2017) and Sears Holding Corp. (2018);
  - Amazon's acquisition of Whole Foods Market in 2017; and
  - CVS Health's acquisition of Aetna in 2018.
- Some of these examples highlight that corporate restructurings, such as a merger and acquisition (M&A) or bankruptcy restructuring, could result in the change or elimination of benefits thus affecting the financial well-being of workers or retirees of the restructured firm.
- Some experts say such restructurings could result in business and economic efficiencies and could allow some employees to obtain access to another company's pension and benefit programs.

Objectives, Scope, and Methodology

This briefing provides information on:

- What is known about the trends in corporate restructuring over the last 20 years. To do this, we reviewed and analyzed:
    - Bloomberg Terminal (Bloomberg) M&A data from 1999 through 2018. We analyzed deals that included a U.S. target and were $100 million or more in completed value (2018 dollars); and
    - UCLA-LoPucki Bankruptcy Research Database (BRD) from 1999 through 2018. The BRD contains information on Chapter 11 (reorganization) bankruptcy and Chapter 7 (liquidation) bankruptcy by large, public companies. The BRD defines a large company as having publicly reported assets of $305 million or more in 2018 dollars within 3 years prior to filing for bankruptcy.

Objectives, Scope, and Methodology (cont.)

- What is known about the effects, if any, of corporate restructuring on pension benefits for employees and retirees. To do this, we:
  - interviewed officials from the Department of Labor (DOL), Department of the Treasury (Treasury) including the Internal Revenue Service (IRS), the Pension Benefit Guaranty Corporation (PBGC), and other federal agencies, as well as 11 pension and restructuring experts (including academic and other experts) that were judgmentally selected; and
  - conducted a search of the relevant literature.

Summary of Findings

- **Over the past 20 years, most corporate restructuring, especially M&A activity, tended to happen more frequently during periods of economic expansion.**
  - From 1999 through 2018, M&A deals comprised the largest share of activity.
  - Since 2009, M&A deals tended to be completed in shorter times, on average.
  - In contrast, bankruptcies most often occurred during periods of economic distress and peaked during the two most recent recessions.
- **Effects of corporate restructuring on pension benefits are generally unclear.**
  - Limited data make it difficult to understand or determine the effect, if any, of corporate restructuring on pension benefits.
  - An expert said acquiring firms will often harmonize benefits of target companies rather than to make any specific changes.
  - The speed of corporate restructuring events are likely to have implications for how workers are notified of such events, according to some experts.
  - Bankruptcy may have adverse consequences on employee benefits.

Background: Types of Corporate Restructuring Deals and Characteristics

- In the Bloomberg data, corporate restructuring <u>deals</u> include M&A, minority purchases, buybacks, and spin-offs (see table 1), and these deal types are mutually exclusive.
  - We generally focused on M&A, since they accounted for the largest share of deal types.
- Corporate restructuring <u>characteristics</u> are not mutually exclusive in the Bloomberg data and may result in a combination of attributes in a single deal (see table 2). For example, an event could include private equity involvement and end in bankruptcy.
- However, because Bloomberg data tracks bankruptcy as an additional characteristic to a deal, it may not capture the bankruptcy unless it occurs in close proximity to the deal. Thus we use a different database, the LoPucki BRD, to analyze bankruptcy as a distinct event.

Table 1: Common Corporate Restructuring Deal Types

Deal type	Description
Merger and acquisition (M&A)	The acquisition or sale of control in a company or asset for strategic purposes. The acquirer purchases 50 percent or more of the target.
Buyback	The repurchase of outstanding shares by a company that reduces the number of shares on the market.
Minority purchase[a]	A minority purchase, private equity investment, or venture capital round of financing where the acquirer purchases less than 50 percent of the target.
Spin-off	The creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company.

Source: Bloomberg and GAO. | GAO-19-447R

Note: These deals are generally defined as they appear in Bloomberg data, where each deal is categorized in the data as one deal type and the type categories are mutually exclusive.

[a]For purposes of discussion in this report, we have defined the Bloomberg investment deal type—which includes minority purchases, private equity investments, and venture capital financing of less than 50 percent of the target—to be the minority purchase deal type for this report. Bloomberg data refer to certain non-mutually exclusive characteristics—where an acquirer without a percentage stake acquires less than 50 percent of a company—as minority purchases. We do not separately report on the valuation of minority purchases as a characteristic in this report.

Table 2: Selected Corporate Restructuring Characteristics

Restructuring characteristic	Description
Company takeover	Indicates a target company is fully acquired; either 100 percent full purchase of the company or the remainder of the company, which brings acquirer ownership of the target to 100 percent.
Cross border[a]	A transaction in which the acquirer's country is not in the United States.
Private equity involvement	A transaction that involves equity capital not quoted on a public exchange, whether the private equity firm is acquiring a company or selling company assets. Investors and funds make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity.
Bankruptcy	An acquisition of a company or the assets of a company either through a liquidation, wind down, dissolution, or bankruptcy.

Source: Bloomberg and GAO. | GAO-19-447R

Note: These characteristics are generally defined as they appear in Bloomberg data. These deal characteristics are not mutually exclusive; more than one deal characteristic can occur in any corporate restructuring. In total, Bloomberg includes more than 40 different deal characteristics in its database.

[a]Bloomberg defines a cross border transaction as one in which the target or acquirer's country of risk is different than the other involved in the transaction. Bloomberg determines a corporation's country of risk according to four factors listed in order of importance: management location, country of primary (bond) listing, country of revenue, and reporting currency of (any bond) issuance. Our analysis is of U.S. targets only, therefore our modified definition for cross border in this report indicates a non-U.S. acquirer.

Background: Agency Oversight of Pensions and Select Labor Laws

- The Employee Retirement Income Security Act of 1974 (ERISA), as amended, sets minimum standards and requirements for, among other things, plan participation, vesting, benefit accrual, and funding.
- Agencies that play a role in administering ERISA:
  - DOL;
  - Treasury including the IRS; and
  - PBGC.
- Other laws potentially relevant during a restructuring:
  - The Worker Adjustment and Retraining Notification (WARN) Act; and
  - The National Labor Relations Act (NLRA).

Background: GAO's Previous Work on Restructuring Effects

- Previous GAO work noted that:
  - Of the selected bankruptcy cases reviewed, most employers did not offer benefits that required specific approval to change. However, certain benefit changes during Chapter 11 bankruptcy require court approval—such as terminating a single-employer defined benefit plan or changing certain retiree benefits. Of the 115 employers reviewed, 15 sought the court's approval through the bankruptcy process to change at least some of the benefits they offered (GAO-07-1101).
  - Leveraged buyouts (LBOs) that occurred in the mid-1980s were company takeovers that were financed by large amounts of debt. Of the LBOs we reviewed for our 1991 report, 20 percent of the defined benefit plans were terminated and excess funding in those plans was "reverted" to the company—freeing up monies for non-pension purposes (GAO/HRD-91-21). The ultimate result on participants' pensions was unclear. Most terminated plans were replaced with a new plan, but the benefits of the new plan could not be determined.
    - According to experts, current private equity involvement in restructuring shows similarities to LBO activities of the 1980s.

Restructuring Trends: Deal Volume Tended to Increase During Economic Expansions

- According to our analysis, during our selected time period (1999 through 2018), the value of all deals in aggregate grew at an average rate of about 13 percent during expansionary years compared to an average decline of about 20 percent during recessionary years.*
- The total number of deals grew at an average rate of about 11 percent during expansionary years compared to about a 23 percent decline during recessionary years.

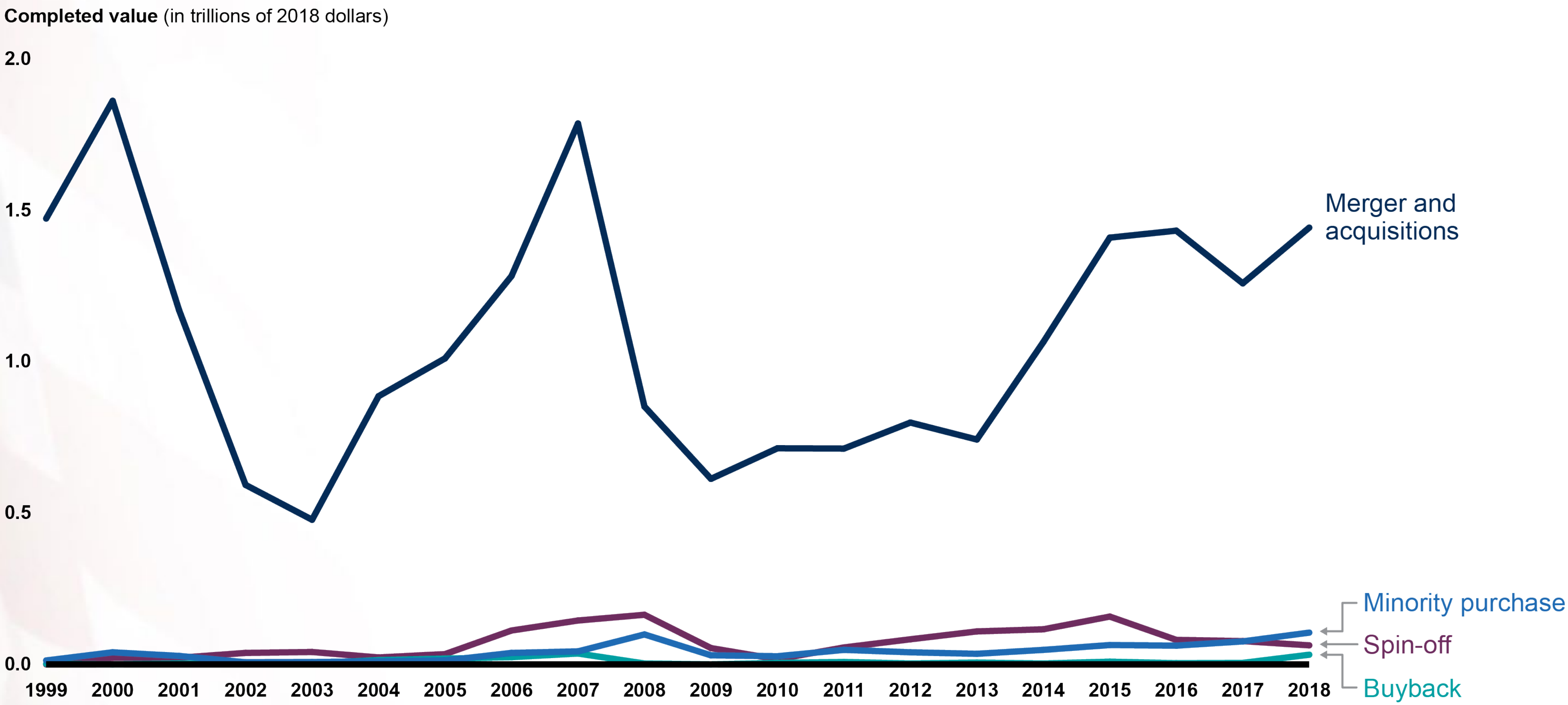
*Expansionary years were 1999-2000, 2002-2006, and 2010-2018. Non-expansionary/recessionary years were 2001 and 2007-2009. We note that 1 month of 2007 occurred during a recession; more specifically, the Great Recession began in December 2007. Accordingly, we looked at the averages including 2007 as an expansionary year, as well as excluding 2007 from the analysis, and found a similar conclusion (i.e. activity tended to increase during expansions and decrease during recessions). Note that these are summary descriptive statistics and thus do not imply any causality or rigorous statistical association between restructuring activity and economic cycles.

Restructuring Trends: Deal Volume Tended to Increase During Economic Expansions (cont.)

- Over the past 20 years, M&A comprised the largest share of corporate restructuring deals (see fig. 1), accounting for 90 percent of total deal value during the period, and tended to increase during expansionary years.*
- In terms of deal value, M&A had relative peaks in 2000, 2007, 2015, 2016, and 2018. The trend for M&A of at least $750 million completed value followed a similar trend.
- The numbers of M&A deals followed a similar trend: M&A had about 1,100 to 1,200 completed deals in 2000 and 2006-2007, before decreasing to about 400 in 2009 and then generally increasing to between about 1,000 to 1,100 deals each year from 2014 to 2018.
- Minority purchases experienced a peak in terms of value in 2018, spin-offs peaked in 2008, and buybacks peaked in 2007 (see fig. 2).

*Note that these are summary descriptive statistics and thus do not imply any causality or rigorous statistical association between restructuring activity and economic cycles.

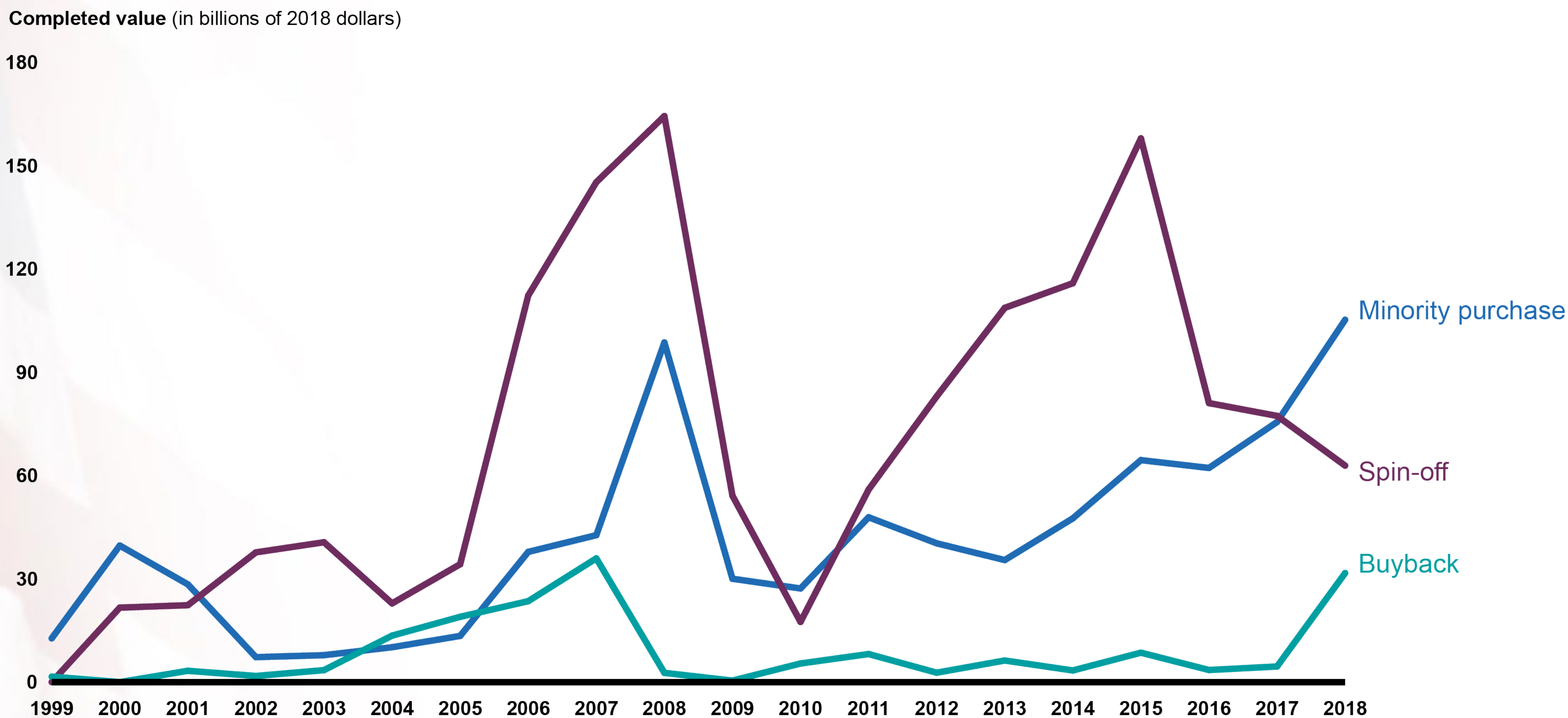
Figure 1: Value of Corporate Restructurings by Deal Type in 2018 Dollars, 1999 through 2018



Source: GAO analysis of Bloomberg Terminal data. I GAO-19-447R

Note: For completed buyback, merger and acquisition (M&A), minority purchase, or spin-off deals of $100 million or more, 2018 dollars.

Figure 2: Value of Non-M&A Corporate Restructuring Deals in 2018 Dollars, 1999 through 2018



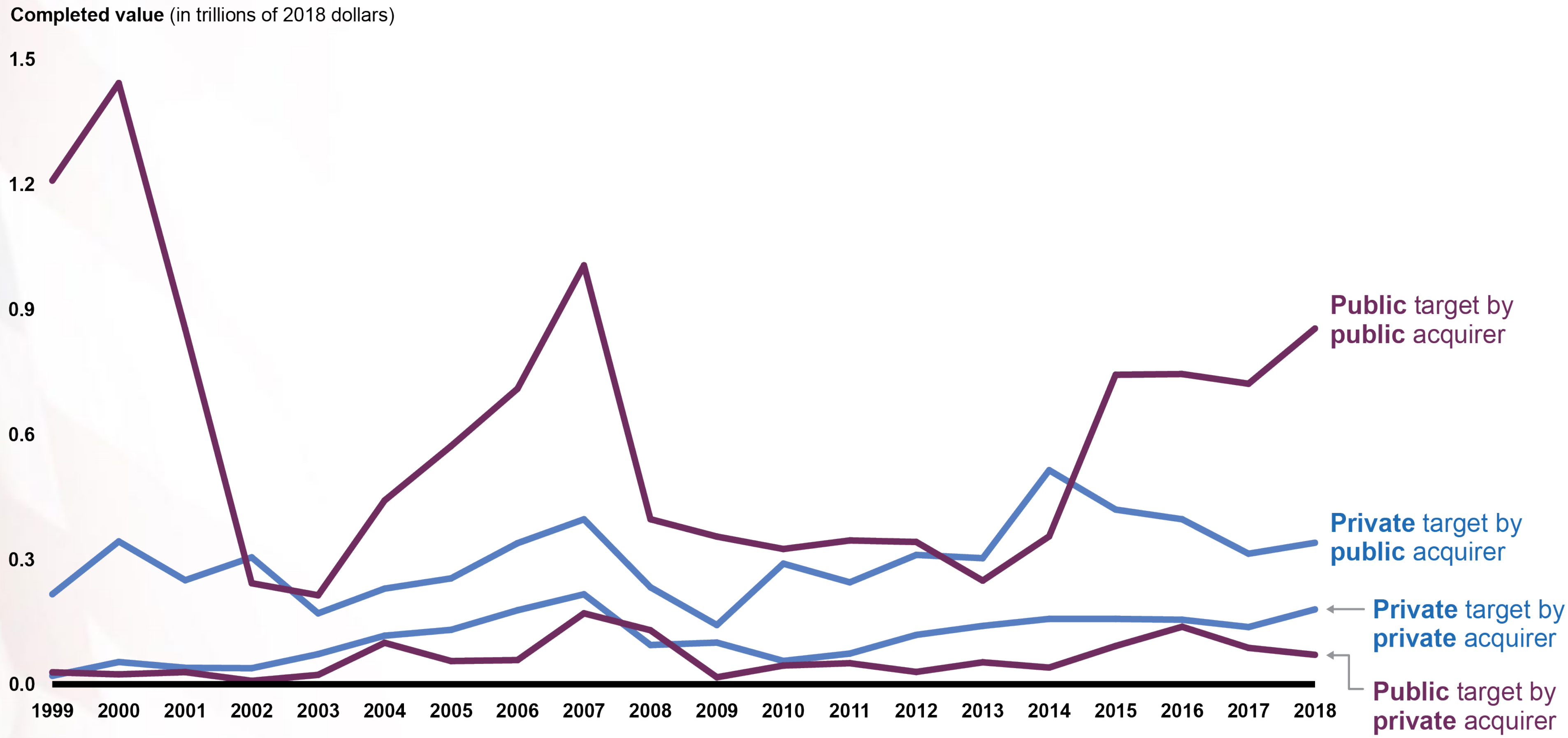
Source: GAO analysis of Bloomberg Terminal data. I GAO-19-447R

Note: For completed buyback, minority purchase, or spin-off deals of $100 million or more, 2018 dollars.

Restructuring Trends: Publicly Listed Firms Acquiring Other Public Firms Accounted for Largest Share of Total Deal Value of M&A

- Publicly-listed firms completed the largest share of M&A deals over the last 20 years, by deal value (see fig. 3).
  - In terms of deal value, public firms acquiring other public firms accounted for the highest share of completed M&A deal valuations—with a high about $1.4 trillion in 2000—of at least $100 million each during the time period.
- However, public firms acquiring public firms (about 3,400 deals) were the third largest in terms of the number of deals, after public firms acquiring private firms (about 9,400 deals), and private firms acquiring another private firm (about 3,800 deals).

Figure 3: Target and Acquirer Firm Pairs for Completed M&A in 2018 Dollars, 1999 through 2018



Source: GAO analysis of Bloomberg Terminal data I GAO-19-447R

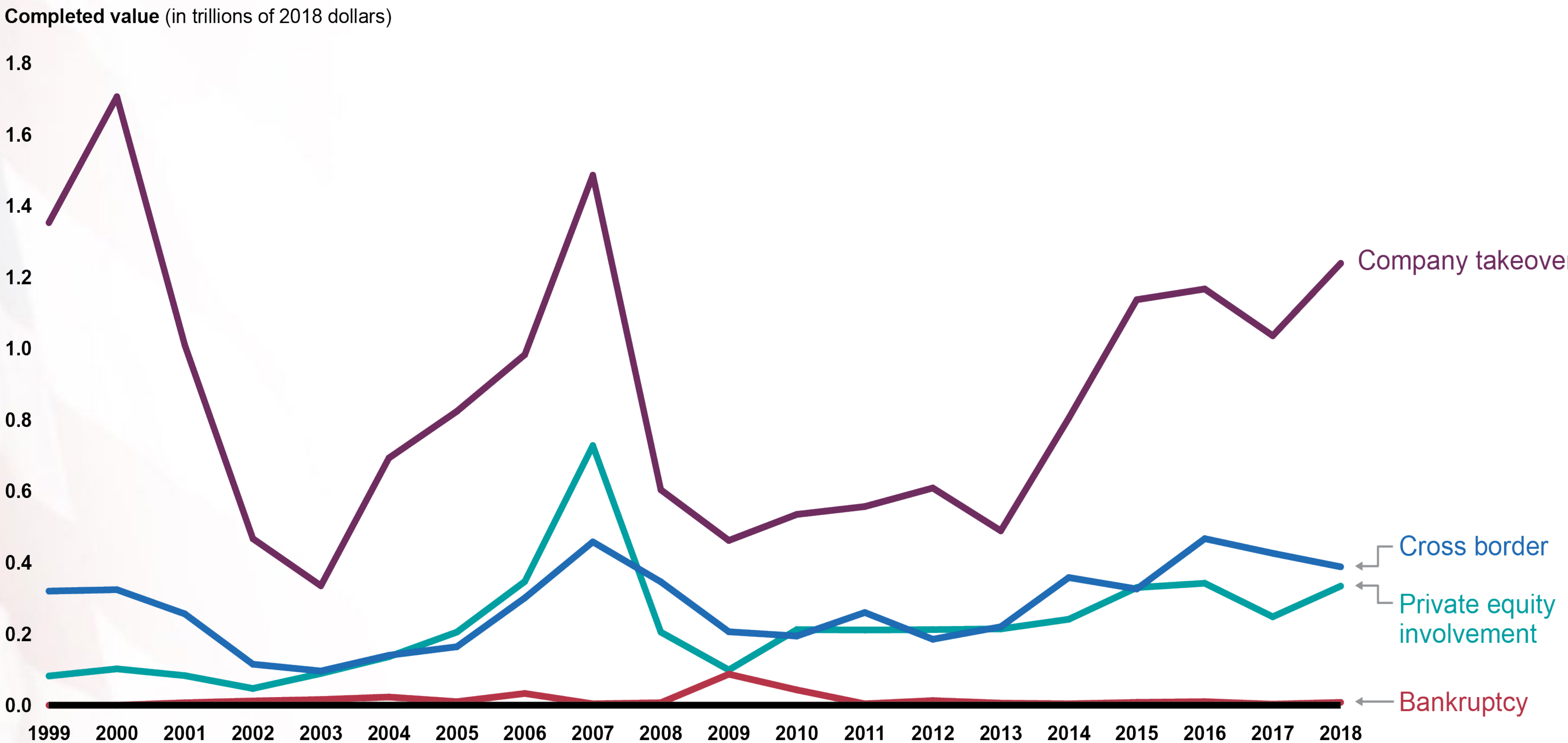
Note: For completed merger and acquisition (M&A) deals of $100 million or more, 2018 dollars. A public company is one that is publicly traded. A private company is one that is privately held (i.e. not traded on a public market).

Restructuring Trends: Company Takeovers Comprised Largest Share of M&A Characteristics

- Of the different types of M&As that occurred from 1999 through 2008, Company Takeover deals represented the largest share of deal characteristics at 10,200 deals worth about $17.5 trillion.*
- Other significant deal characteristics during the period:
  - Cross Border deals: 4,400 deals worth about $5.6 trillion.
  - Private Equity deals: 4,600 deals worth about $4.5 trillion. This included about $2.1 trillion in private equity buyouts—where the private equity firm acquired a controlling stake or 100 percent ownership of the target—and $1.5 trillion in deals where the private equity firm sold some or all target company assets (see fig. 4).

*As described earlier and in Table 2, deal characteristics are not mutually exclusive; any M&A or other deal type can have a number of potential deal characteristics, including company takeover, cross border, and private equity involvement. In total, Bloomberg includes more than 40 different deal outcomes in its database. We analyzed the top 13 characteristics by announced deal value, as well as bankruptcies.

Figure 4: Completed M&A by Selected Deal Characteristic in 2018 Dollars, 1999 through 2018



Source: GAO analysis of Bloomberg Terminal data. I GAO-19-447R

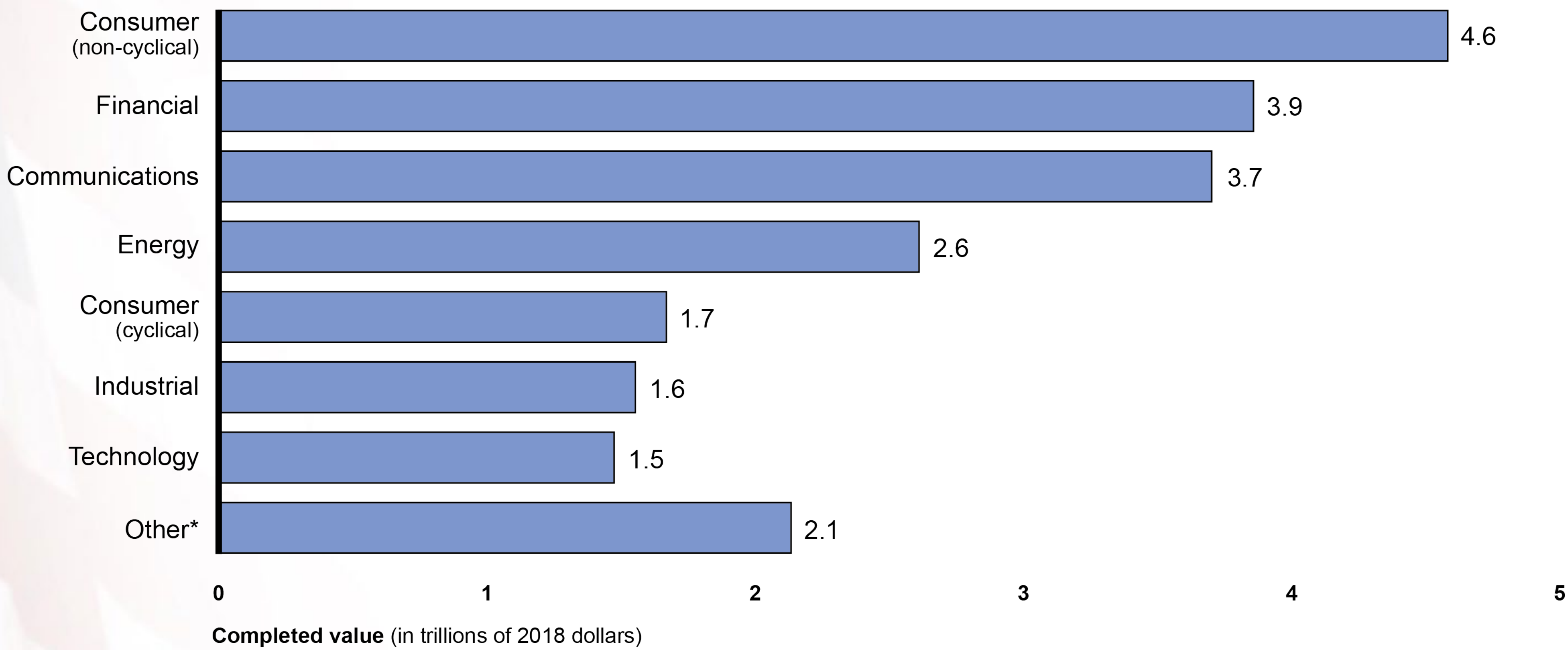
Note: For completed merger and acquisition (M&A) deals of $100 million or more, 2018 dollars.

Restructuring Trends: Financial and Communication Industries Heavily Represented

- The non-cyclical consumer goods and financial industries comprised the highest shares of completed corporate restructurings of $100 million or more from 1999 through 2018 (see fig. 5).*
  - The largest M&A deal with a non-cyclical consumer good industry target was Pfizer's $169 billion acquisition of Warner Lambert in June 2000.
  - The largest M&A deal with a financial industry target from 1999 through 2018 was the JP Morgan $77 billion acquisition of Bank One in July 2004.
- The non-cyclical consumer goods and financial industries experienced the largest numbers of completed deals from 1999 through 2018, at about 2,900 and 4,000, respectively.
- In terms of the highest valued individual deals, the communications industry had a significant presence; communications industry companies were targets in seven of the top 10 M&As completed during the period, in terms of deal valuation.

*Non-cyclical consumer goods industries are those engaged in food production or other goods whose consumer demand continues regardless of the overall economy. Bloomberg uses a proprietary industry classification system.

Figure 5: Value of All Completed M&A Deals by Industry, 1999 through 2018



Source: GAO analysis of Bloomberg Terminal data. I GAO-19-447R

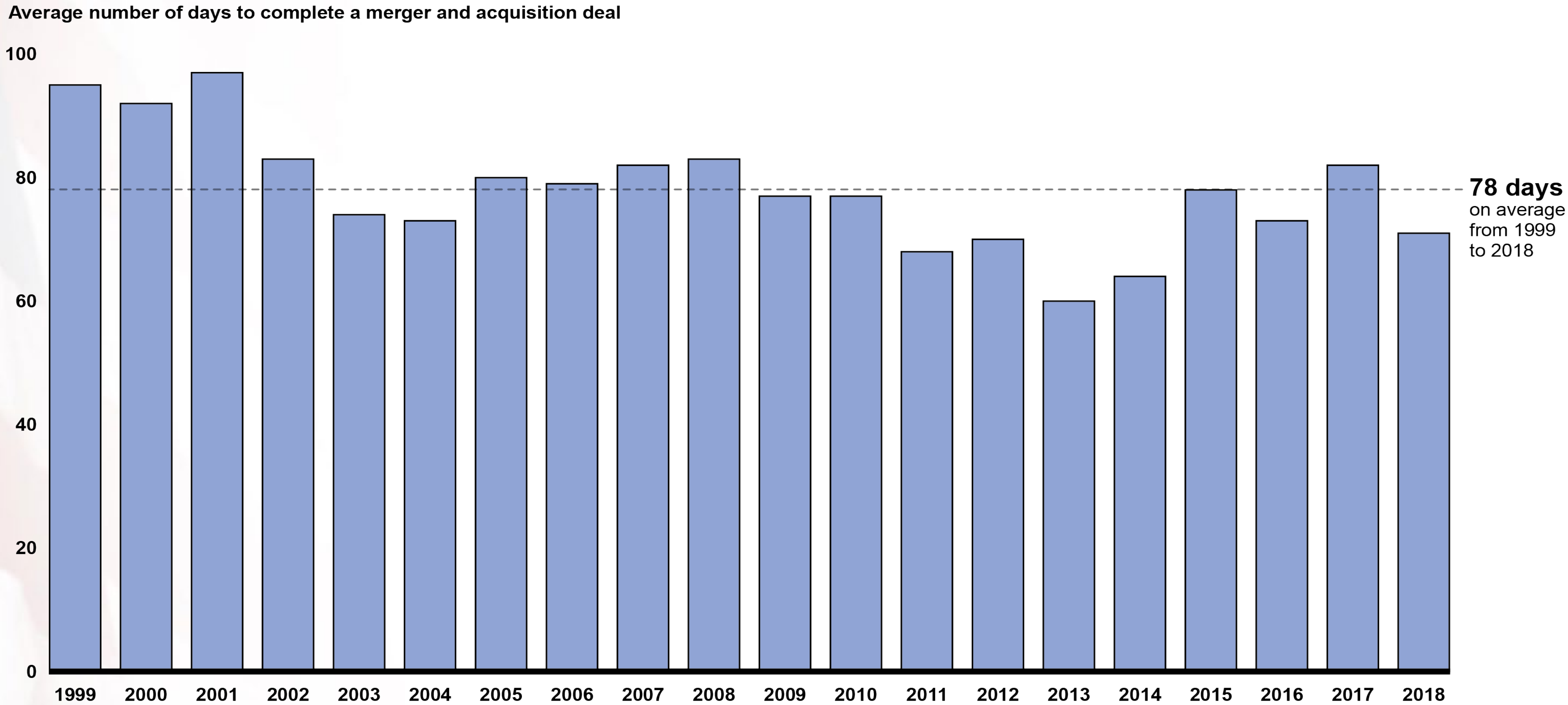
Note: For completed merger and acquisition (M&A) deals of $100 million or more, 2018 dollars.

*Other includes $0.9 trillion of completed deals of targets in the basic materials industry, $0.8 trillion where the target was a utility, $0.3 trillion where the industry was not listed in the data, and $0.1 trillion where the primary industry is a hybrid of two or more other main industries, and not individually able to be categorized.

Restructuring Trends: Recent M&A Deals Tended To Be Completed in Shorter Time Frames, on Average, Since 2009

- The average time between a M&A planned announcement and completion from 2009 onward tended to be lower than the average over the 1999 through 2008 time period (see fig. 6).
  - More specifically, the average time between a M&A planned announcement and completion from 1999 through 2008 was 84 days compared to an average time from 2009 through 2018 of 72 days.
- The number of M&A deals announced and completed on the same day tended to rise since 2009 (see fig. 7).

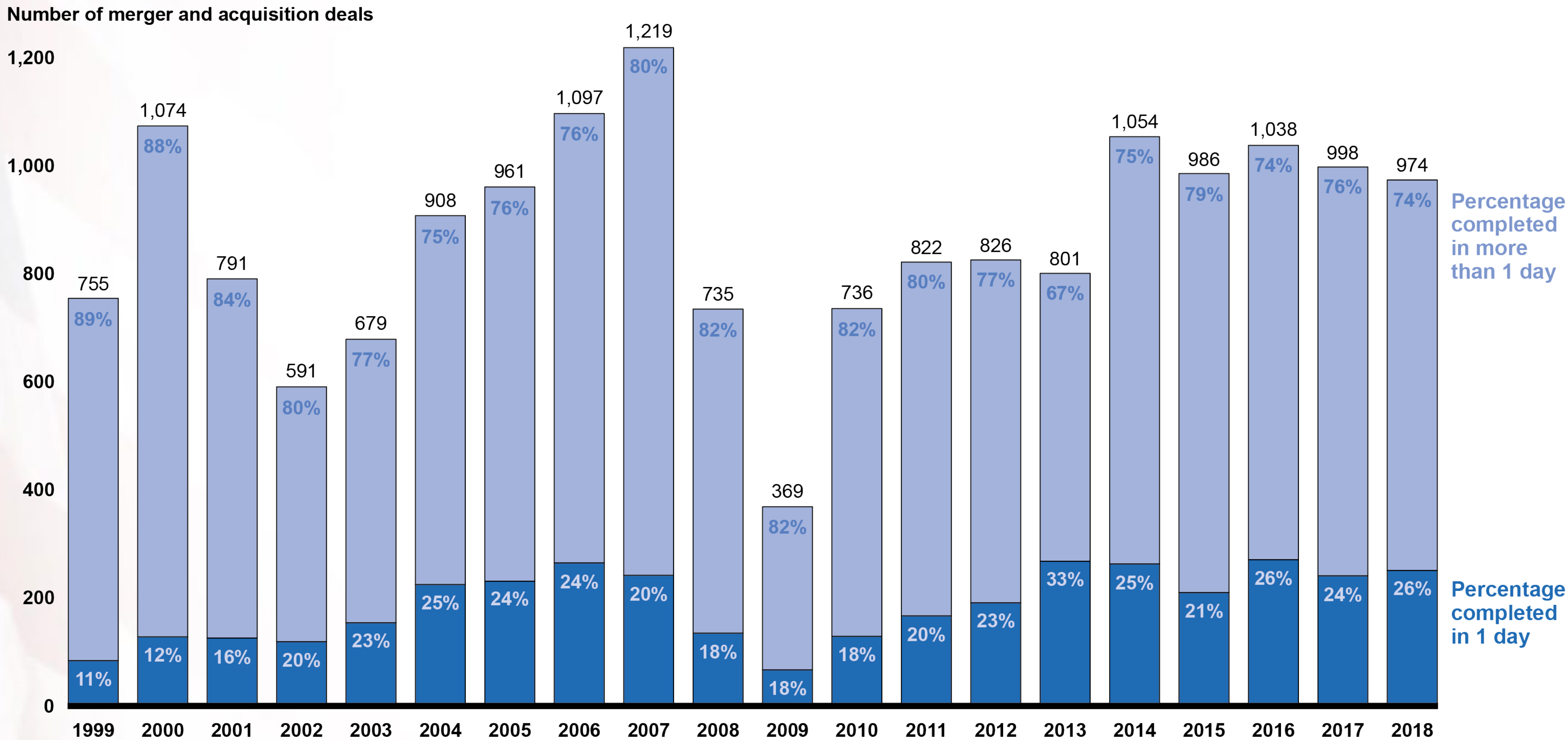
Figure 6: Average Number of Days to Complete an M&A Deal Since 2009 Tended to Be Lower than the Overall Average



Source: GAO analysis of Bloomberg Terminal data. I GAO-19-447R

Note: For completed merger and acquisition (M&A) deals of $100 million or more, 2018 dollars.

Figure 7: A Notable Minority of M&A Deals Are Completed on Same Day as Deal Is Announced



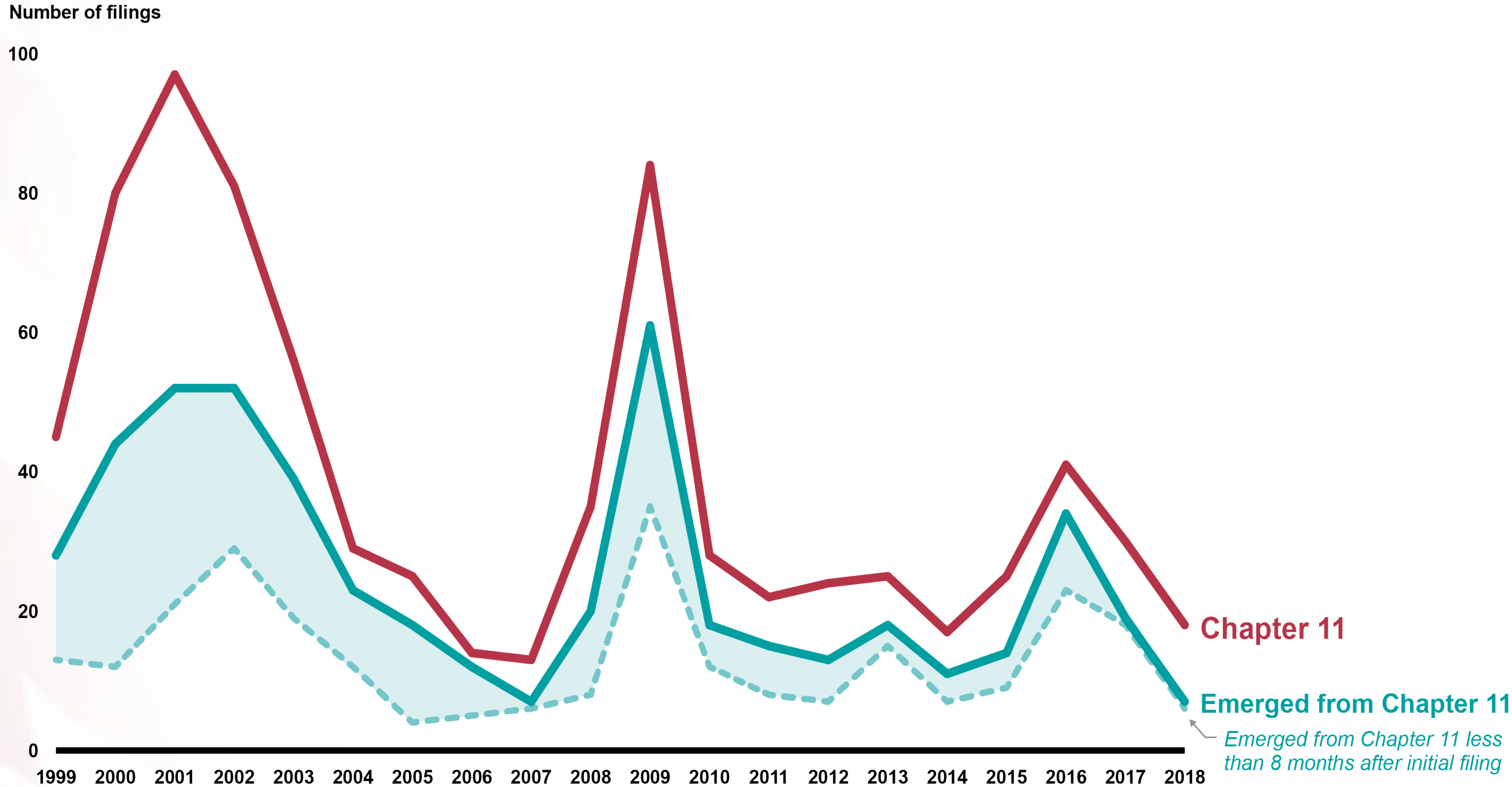
Source: GAO analysis of Bloomberg Terminal data. I GAO-19-447R

Note: For completed merger and acquisition (M&A) deals of $100 million or more, 2018 dollars.

Restructuring Trends: Bankruptcies Are More Common during Periods of Economic Distress

- Our analysis of BRD data from 1999 through 2018 shows Chapter 11 bankruptcies among large firms (over $305 million in assets in 2018 dollars) peaked during the two most recent recessions (see fig. 8).
  - 505 out of the 789 companies that filed for Chapter 11 bankruptcy emerged according to the BRD definition; 269 of those emerging did so within 8 months of their initial filing.
- The BRD includes 24 Chapter 7 bankruptcies (liquidation) by large firms from 1999 through 2018—19 of the filings occurred from 2008 through 2010 (data not shown).
- Bloomberg data showed the number of bankruptcies of $100 million or more with relative peaks in 2003-2004 and 2009-2010. However, Bloomberg may not identify a bankruptcy that occurred months or years after the initial M&A event that triggered inclusion of the restructuring event by Bloomberg; thus, Bloomberg may not be fully reliable for discerning bankruptcy outcomes.

Figure 8: Trend in Bankruptcies by Large Firms, 1999 through 2018



Source: GAO analysis of UCLA-LoPucki Bankruptcy Research Database. I GAO-19-447R

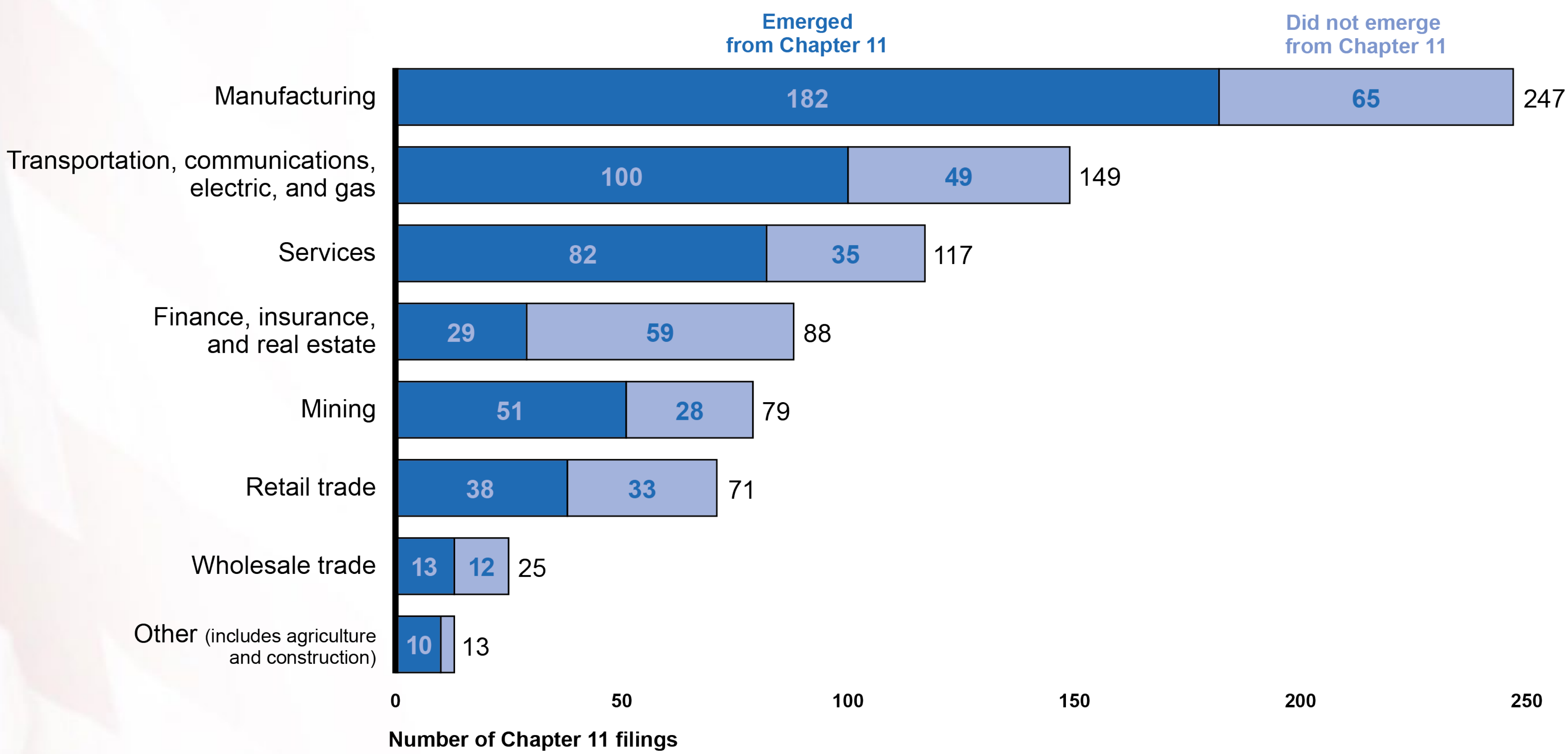
Note: Large firms are defined in the UCLA-LoPucki Bankruptcy Research Database (BRD) as firms with over $305 million in assets in 2018 dollars. The BRD represents updates made as of February 3, 2019. Thus companies that recently filed for Chapter 11 bankruptcy may not yet have a resolved case.

Restructuring Trends: Majority of Bankruptcies Were Concentrated in Four Industries

- BRD data show that, from 1999 through 2018, 601 out of 789 Chapter 11 bankruptcy filings were concentrated in four industrial classifications (see fig. 9):
  - Services;
  - Finance, insurance and real estate;
  - Manufacturing; and
  - Transportation, communications, electric, and gas.*

*This is a broadly defined category in the BRD; three subcategories represent an overwhelming majority of the bankruptcies: communications (83 filings); electric, gas, and sanitary services (25 filings); and air transportation (22 filings).

Figure 9: Chapter 11 Bankruptcies of Large Firms by Industry, 1999 through 2018



Source: GAO analysis of UCLA-LoPucki Bankruptcy Research Database. I GAO-19-447R

Note: Large firms are defined in the UCLA-LoPucki Bankruptcy Research Database (BRD) as firms with over $305 million in assets in 2018 dollars. The BRD represents updates made as of February 3, 2019. Thus, companies that recently filed for Chapter 11 bankruptcy may not yet have a resolved case.

Restructuring's Impact on Pensions: Generally Unclear

- Limited data make it difficult to understand the effect of corporate restructuring on pension benefits.
- Some pension and restructuring experts said it is hard to attribute specific pension benefit changes to restructuring events. For example, a given restructuring event may not specifically trigger or cause a change to pension benefits. Alternatively, pension benefit changes may be made with or without regard to any underlying restructuring event.
- Key sources of restructuring data, such as Bloomberg and BRD are not specifically intended to track changes in pension benefits.
- Data are not exhaustive of all types of restructuring events. For example, a corporation may introduce measures that reduce its workforce and future pension obligations, but such measures are not in the datasets we analyzed.

Restructuring's Impact on Pensions: Acquiring Firm May Harmonize Pension Benefits

- A benefits consulting expert noted that the acquiring company will often "harmonize" the pension benefits of the target firm to be similar to the acquiring firm (i.e. the plan types as well as accruals or employer matching contributions will be as similar as possible). The expert noted a case where a target company's benefits were improved as a result of harmonization.
- Some experts said a restructuring may prompt a company to re-think its employee benefit structures.
- Defined benefit plans may change the rate at which a recipient may accrue future benefits, but they generally cannot reduce the amount of benefits already accrued.
- As we have reported, some experts have noted the declining presence of unions and collective bargaining has reduced the ability of workers to negotiate access to pensions, especially defined benefit plans (GAO-18-111SP).

Effect of Restructuring: Experts Said Speed of Corporate Transactions May Have Implications

- Some experts said there is increasingly less time for some stakeholders, such as employees and retirees, to determine how the restructuring will impact their pension plans.
- For example, one expert noted that the pre-negotiated aspects of many restructurings, particularly those in bankruptcy, may exclude certain stakeholders (e.g. retirees and PBGC).
- In the context of a bankruptcy, the facts and circumstances of a particular case and the determinations of the bankruptcy court will affect the outcome of the bankruptcy.

Effect of Restructuring: Experts Said Speed of Corporate Transactions May Have Implications (cont.)

- One expert said that asset sales under 11 U.S.C. § 363* (sometimes referred to as 363 sales) often have expedited timeframes and pension holders or PBGC may have difficulty participating in the proceeding.
    - PBGC officials stated that they have seen:
        - a rise in 363 sales over the last 25 or so years, and
        - that 363 sales tend result in debtors shedding the pension plan in the reorganization—but noted that, if there is a CBA in place, the debtor must make a formal proposal and confer with the union to make mutually satisfactory modifications to pension benefits in the CBA.
- According to a few experts, some recent, high profile business transactions and bankruptcies have been driven by private equity takeovers. One expert said the increasing speed of private equity transactions can make it difficult for unions to identify and negotiate with new management.

*Section 363 of the U.S. Bankruptcy Code generally authorizes a debtor to sell its assets outside the ordinary course of business and permits sales that are free and clear of creditor claims on the property being sold, subject to certain requirements.

Restructuring Effects: Additional Implications of Speed of Corporate Transactions

- Experts did not identify any legal requirements relating to pensions that required advanced government approval with respect to the completion of the various corporate restructuring events we examined.
- Experts mentioned other issues, including legal requirements that may apply during a corporate restructuring. For example:
  - One expert mentioned the Worker Adjustment and Retraining Notification (WARN) Act, which generally requires companies with 100 or more employees to provide 60 days' advance notice prior to plant closings or mass layoffs, but may not apply in connection with bankruptcy.
  - The National Labor Relations Act (NLRA). Depending on the contract, a company may have to bargain over some effects of a corporate restructuring, including pension benefits. One expert noted that rank-and-file workers may often be unaware of new management's intent when the company is taken over by private equity, and noted that a union may undertake education efforts to make workers aware of changes that could occur from the deal.

Restructuring Effects: Bankruptcy May Have Effects on Benefits in the Short Term

- Bankruptcy may help a company eliminate or restructure debts it cannot repay and may help creditors receive some payment in an equitable manner.
- However, as noted in previous work (GAO-07-1101), another goal of a bankruptcy reorganization may be for the company to reorganize its finances in an attempt to become profitable. This process may be contentious, as many stakeholders, including creditors, and employee and retiree groups, may be competing for diminishing portions of the reorganizing company’s remaining assets.

Restructuring Effects: Bankruptcy May Have Effects on Benefits in the Short Term (cont.)

- The outcome for a given creditor (stakeholder) generally depends on the amount of assets of the debtor and the relative standing of the creditor against other creditors.
- According to BRD data, firms that emerged from Chapter 11 had an average of about 12,300 employees before filing and about 9,000 employees after emerging. This could represent employees who lost access to an employer sponsored pension.
  - However, the magnitude of lost access is likely to be much more severe if a firm does not emerge and instead liquidates.

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Enclosure II Objectives, Scope, and Methodology

In this report, we examined the trends in corporate restructuring events since 1999 and their implications for employees' and retirees' single employer pension plans. To conduct this work, we interviewed agency officials and experts and reviewed relevant federal publications. Relevant agencies include the Department of Labor (DOL), the Department of the Treasury (Treasury) including the Internal Revenue Service (IRS), the Pension Benefit Guaranty Corporation (PBGC), the Securities and Exchange Commission (SEC), and the Administrative Office of the U.S. Courts (AOUSC). We also analyzed data from the Bloomberg Terminal (Bloomberg) and the UCLA-LoPucki Bankruptcy Research Database (BRD).

To determine and analyze trends in corporate restructuring from 1999 through 2018, we analyzed data obtained from Bloomberg. In particular, we analyzed Bloomberg data to determine the number and value of corporate restructuring deals including M&A, buybacks, minority purchases,[15] and spin-offs. We also determined the number and value of various characteristics of M&A including the number and value of company takeovers, deals involving private equity or cross border activity, additional stake purchases, and tender offers.[16] We also analyzed Bloomberg data to determine the extent to which completed M&A were made by public or private acquirers, of public or private target companies; and to determine target companies' industries.[17] We restricted our analysis to deals with $100 million or more announced value in 2018 dollars.[18] We further restricted our analysis to U.S. targets only, excluded joint ventures, and reported in terms of the deal's completed value.[19] Unless otherwise indicated, we relied on definitions used for the Bloomberg data.[20] These and other definitions are contained in enclosure III. In addition, the Bloomberg data we used categorized companies

[15]Bloomberg data refer to certain non-mutually exclusive deal characteristics as minority purchases. We do not separately report on the valuation of those characteristics in this report.

[16]A completed M&A or other type of deal (buybacks, minority purchase, and spin-offs) can have a number of potential characteristics, including company takeover, cross border, and private equity involvement. In total, Bloomberg includes more than 40 different deal characteristics in its database. We analyzed the top 13 characteristics by announced deal value, and bankruptcies in Bloomberg. However, our analysis of bankruptcies is based on trends observed in the BRD data rather than the Bloomberg data. For definitions of the Bloomberg data including types of deals and their characteristics, see enclosure III.

[17]A public company is one that is publicly traded, and a private company as one that is privately-held.

[18]We determined that deals completed between January 1, 1999 through December 31, 2018 with an announced value of $100 million or more in 2018 dollars comprised 96.4 percent of all deals of nominal value for the time period in terms of deal count and total announced value.

[19]We determined that there was one joint venture of $100 million or more completed value during the time period. According to Bloomberg, joint ventures are transactions undertaken jointly by two or more companies that otherwise retain their distinct identities. We chose to exclude this transaction from our analysis.

[20]We did not use Bloomberg variables for various bankruptcy-related analyses, and instead relied on the BRD.

into different primary industries according to Bloomberg's proprietary industry classification standard. We followed this system when reporting industry information.

While Bloomberg data are a widely used financial industry source, we conducted an assessment to ensure its reliability. Specifically, we reviewed related documentation, spoke with company representatives, and conducted electronic testing. When we determined that particular observations were not reliable for our purposes, such as estimates that did not have a Current/Completed Value variable populated (approximately 5,000 estimates), and the completed deals that were more than 100 times the announced value (two deals), we did not use them. We also chose not to analyze certain variables such as target company pension liabilities, target company assets, target employer size, which we determined were not sufficiently populated for our purposes. To describe how completed deals behaved in economic expansions and recessions, we looked at average year-to-year growth rates in years of economic expansion and in years of economic recession.[21]

We analyzed the BRD for information on large, public bankruptcies that occurred from 1999 through 2018. The BRD administrator oversees a data collection effort that pulls relevant information into the database from bankruptcy files and other sources, including SEC filings. We analyzed selected variables of interest including employee counts, asset size, type of bankruptcy (Chapter 7 or Chapter 11), whether the firm emerged from a bankruptcy, and the industry of filing firm to describe trends in bankruptcies.[22] The BRD's scope includes those

[21]More specifically, we looked at the average year-to-year percentage change in overall completed deal valuation and overall year-to-year percentage change in overall counts between recessionary—2001, 2007, 2008, and 2009—and non-recessionary years. We defined expansion years as those years without recessions; namely, 1999, 2000, 2002 through 2006, and 2010 through 2018. We note 1 month of 2007 was characterized as recessionary; more specifically, the Great Recession began in December 2007. Accordingly, we looked at the averages including 2007 as an expansionary year, as well as excluding 2007 from the analysis, and found a similar conclusion (i.e., activity tended to increase during expansions and decrease during recessions). Note these are summary descriptive statistics and thus do not imply any causality or rigorous statistical association between restructuring activity and economic cycles.

[22]With regard to the type of bankruptcy, we analyzed the Chapter of the bankruptcy code under which the case proceeded after the bankruptcy petition was filed. In 2 out of the 815 cases we observed over the 1999 through 2018 period, the bankruptcy case was dismissed as "no order" and thus neither a Chapter 7 nor a Chapter 11 was assigned. In addition, the definition in the BRD for a firm emerging from bankruptcy is complex, but it implies at least one operating company emerged for bankruptcy—and the firm must continue to exist according to specified protocols. Our estimates of employees before bankruptcy and after emerging are limited to those that have reported employees both before and after. Employees before the bankruptcy filing are those reported in the firms most recent (up to 3 years prior) annual report disclosure (Form 10-K). Employee counts after bankruptcy are determined in the same manner as employees before bankruptcy, but, if available, are taken from the 10-K immediately following emerging (up to 3 years following). Lastly, the categories for industry rely on the primary Standard Industrial Classification code (SIC, from the 1987 SIC code system) of the firm (debtor) as indicated by the firm's last Form 10-K prior to filing for bankruptcy. For additional information on analysis variable see Lynn M. LoPucki, *Protocols for the UCLA LoPucki Bankruptcy Research Database* (Los Angeles, CA: Jan. 11, 2019).

public companies with assets worth $100 million or more, measured in 1980 dollars (about $305 million in 2018 dollars). The assets are those reported in the company's annual report (Form 10-K) 3 or fewer years prior to filing for bankruptcy. We did not do an independent review of bankruptcy cases.

For both the Bloomberg and BRD data, we assessed the reliability of the data we used by reviewing relevant documentation, interviewing knowledgeable officials and experts responsible for the data, and comparing our calculations to published data. We found the data to be reliable for our purposes.

To answer the second question, we reviewed past work and interviewed experts to determine what could happen to pension benefits when an employer restructures. More specifically, to identify provisions companies must follow when undertaking a restructuring, and to determine how, if at all, companies may alter pension benefits to workers and retirees, we conducted semi-structured interviews with agency officials from DOL, Treasury, IRS, PBGC, SEC, and the AOUSC as well as 11 interviews with relevant experts with including academics who had a background in pensions or corporate restructurings. We judgmentally selected stakeholders whose expertise coincided with the scope of our objectives and who would be able to provide a broad range of perspectives. In our semi-structured interviews we asked about the nature, trends, and concerns for employees arising from a corporate restructuring. We also reviewed relevant federal laws and regulations. Our approach to this research question was limited by a lack of reliable data and methods to determine the effects on employee benefits; therefore our evidence was limited to the extent to which experts had relevant insights and were willing or available to talk to us. Given the limitations in available data and experts, we were not able to report on how corporate restructuring affects employees and retirees' pension benefits.

We did not include multiemployer plans in our scope because the multiemployer plan sponsor and the contributing employers are separate entities; whereas in a typical private sector single employer plan the employer and sponsor are the same entity. Further, we did not include healthcare benefits in our scope because interviewees said retiree healthcare plans are already uncommon, and therefore are likely not a big factor in corporate restructuring, and, given a lack of data and key information we were unable to determine how employees' and retirees' healthcare plans changed pre- and post-restructuring.

We conducted this performance audit from February 2018 to July 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Enclosure III Definitions for Selected Corporate Restructuring Events Used in This Report

Unless otherwise indicated, we relied on variable definitions used for the Bloomberg Terminal data. Definitions of selected terms are as follows:

- *Additional stake purchase*: A subsequent purchase of a stake in the target company.
- *Asset sale*: An acquisition or divestiture in which a non-company, or any stake in a non-company, is acquired.
- *Bankruptcy*: An acquisition of a company or the assets of a company either through a liquidation, wind down, dissolution, or bankruptcy.
- *Buyback*: The repurchase of outstanding shares by a company that reduces the number of shares on the market.
- *Company takeover*: Indicates a target company is fully acquired; either 100 percent full purchase of the company or the remainder of the company, which brings acquirer ownership to 100 percent of the target.
- *Cross border*: A transaction in which the acquirer’s country is not the United States.[23]
- *CUSIP Number*: An identification number assigned to all stocks and registered bonds. The Committee on Uniform Securities Identification Procedures (CUSIP) oversees the CUSIP system.
- *Management buyout*: A transaction in which the acquirer is a group led by the target's management.
- *Market capitalization*: Market capitalization is the company's worth calculated by multiplying the shares outstanding by the price per share.
- *Merger and acquisition*: The acquisition or sale of control in a company or asset for strategic purposes. The acquirer purchases 50 percent or more of the target.

[23]Bloomberg defines a cross border transaction as one in which the target or acquirer’s country of risk is different than the other entity involved in the transaction. Bloomberg determines a corporation's country of risk according to four factors listed in order of importance: management location, country of primary (bond) listing, country of revenue, and reporting currency of (any bond) issuance. Our analysis is of U.S. targets only, therefore our modified definition in this report for cross-border indicates a non-U.S. acquirer.

- *Minority purchase*: A minority purchase, private equity investment, or venture capital round of financing where the acquirer purchases less than 50 percent of the target.[24]
- *Private equity involvement:* A transaction that involves equity capital that is not quoted on a public exchange, whether the private equity firm is acquiring another company or selling company assets. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity.[25]
- *Spin-off*: The creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company.
- *Tender offer*: A voluntary offer made directly to the target shareholders.

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[24]For purposes of discussion in this report, we have defined the Bloomberg investment deal type—including minority purchases, private equity investments, and venture capital rounds of financing of less than 50 percent of the target—to be minority purchase deal type for this report. Bloomberg data refer to certain non-mutually exclusive characteristics—where an acquirer without a percentage stake acquires less than 50 percent of a company—as minority purchases. We do not separately report on the valuation of minority purchases as a characteristic in this report.

[25]In this report, we generally refer to this characteristic as private equity involvement, which we defined to be a transaction that involves equity capital not quoted on a public exchange, whether the private equity firm is acquiring a company or selling company assets. Investors and funds make or reduce investments directly into private companies or public companies that delist. In addition, capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or the strengthen a balance sheet. Private equity involvement can include private equity buyouts, which Bloomberg defines as a transaction where the private equity acquirer receives the controlling stake or 100 percent ownership of a company, or private equity sellers, which is the selling company in a divestiture, where the transaction often involves selling a subsidiary unit or asset that is being disposed.

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