# Frequently asked questions about collective investment trusts (CITs)

## Basics

1. **What is a CIT?**
   A CIT is a tax-exempt, pooled investment vehicle for qualified retirement plans only.

2. **What are the key attributes of a CIT that a plan sponsor should know?**
   A CIT is similar to a mutual fund in being a pooled investment vehicle, but it has less burdensome reporting and administrative requirements, which can result in cost savings. CITs are established by banks or trust companies that act as fiduciaries. CITs are not available to individual investors. CITs are typically not subject to U.S. federal taxes if certain conditions are met.

3. **How are CITs regulated?**
   CITs are under supervision at the federal level through the Office of the Comptroller of the Currency [OCC]. CITs may also be subject to ERISA and are therefore subject to certain Department of Labor regulations. At the state level, bank regulatory authorities also provide oversight.

4. **What role does the SEC play in CIT regulation?**
   CITs are not regulated by the SEC. CITs are exempt from registration under the Securities Act of 1933 and are not subject to the Investment Company Act of 1940. These differences in the regulatory structure create potential cost advantages for CITs relative to mutual funds as investment options in a plan.

5. **What type of qualified plans may invest in CITs?**
   Only ERISA-qualified defined contribution [DC] and defined benefit [DB] plans may use CITs. At this time, these vehicles are not available for 403(b) plans, 457(f) plans, or IRAs.

6. **How do CITs trade?**
   CITs operationally look similar to mutual funds and trade via the National Securities Clearing Corporation [NSCC].

## Reasons to choose a CIT

1. **Why do CITs have a cost advantage versus mutual funds?**
   Due to different regulatory requirements, CITs often represent a less expensive vehicle than traditional mutual funds for a qualified plan to access a particular investment strategy.

2. **Is there usually a "one size fits all" approach for CIT pricing?**
   No. CITs offer flexible pricing that may or may not include revenue sharing. Some CITs may offer "relationship pricing" at a firm's home-office level.

3. **At what time of day are CITs priced? Where is pricing information available?**
   Recordkeepers price CITs at the same time of day as mutual funds. In addition, more and more CITs are being listed on the Nasdaq Fund Network. This helps CITs gain ticker symbols so they are viewable in many personal finance apps.

4. **Where is CIT performance information available?**
   CIT performance information is available via Morningstar, Fi360, BrightScope, and other reporting systems.

**Investing involves risk including possible loss of principal. Past performance is no guarantee of future results.**

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## The CIT landscape

1. **How prevalent are CITs?**
   Over 78% of plans offer CITs within their lineup. [Source: Callan 2022 DC Trends Survey.]

2. **How long have CITs been available as investment vehicles?**
   The first CIT was launched in 1927. [Source: *Financial Times,* 2022.]

3. **How fast are assets in CITs growing?**
   CIT assets had a 13% compound annual growth rate [CAGR] through inflows and market performance from 2011 to 2020. CAGR measures the annualized average rate of growth in a value over periods of more than one year. [Source: Cerulli Associates, The Cerulli Report, 2021.]

4. **What is an example of an asset class where CITs are prevalent?**
   CITs represent 42% of target-date fund assets. [Source: Sway Research, 2021.]

5. **What other trends are impacting CIT growth?**
   Single-sleeve [single-asset-class] CITs are rising in popularity as firms pursue relationship pricing with asset managers and as managed accounts drive more scrutiny of single-asset-class investments. Both U.S. and non-U.S. asset managers who are registered investment advisors [RIAs] have launched CITs as vehicles for specialized or high-conviction strategies. [Source: SEIC.com.]

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