



Collective Investment Trusts

The Essential Guide

Introduction

While collective investment trusts (CITs) have been around since 1927, growth has accelerated over the past 10 years. Once mostly limited to the largest plan sponsors' defined benefit (DB) and defined contribution (DC) plans, more small- and mid-sized DC plans are adopting them.

Target-date assets in collective trusts have now surpassed those in mutual funds and account for the majority of net new flows.¹ This surge in CIT usage has been a result of numerous advancements in the CIT market, making them more accessible and attractive to plan sponsors and their intermediaries.

Understanding the specifics of CITs is crucial to determining whether they are the right investment vehicle for your plan.

CIT BASICS

CITs are tax-exempt, pooled investment vehicles available to certain qualified DB and DC retirement plans. They combine assets from eligible tax-qualified retirement plans into a single portfolio with a specific investment strategy.

A trustee bank or trust company, known as the trustee, sponsors a CIT. CIT trustees are responsible as fiduciaries for managing CIT assets. By appointing the CIT trustee as an ERISA 3(38) fiduciary, the plan sponsor may be relieved from fiduciary responsibility for day-to-day investment management decisions but remains responsible for prudently overseeing and monitoring the CIT and its trustee.

To assist in managing CIT assets, the trustee may engage one or more investment managers, often referred to as CIT subadvisors. The subadvisor is responsible for bringing investment strategies to the marketplace and providing investment management. However, trustees hold the ultimate fiduciary responsibility over the investment strategies in CITs.

COLLECTIVE INVESTMENT TRUST DEFINITIONS

CIT

A tax-exempt, pooled investment vehicle for qualified DB and DC retirement plans.

Trustee

Bank or company responsible for day-to-day fiduciary oversight of CIT assets and investment management decisions.

Subadvisor

The investment manager hired by the trustee for a specific CIT strategy.

¹The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2022, page 36. Published March 2025.

CIT GOVERNANCE—DIFFERENT FROM MUTUAL FUNDS BUT STILL PROTECTIVE

While not registered and regulated by the Securities and Exchange Commission (SEC) like mutual funds, CITs have several layers of governance in their structures to help protect retirement plans and their participants.

- The Department of Labor (DOL) oversees compliance with Employee Retirement Income Security Act (ERISA) fiduciary standards.
- In addition, when sponsored by banks and trust companies, CITs are further regulated by the Office of the Comptroller of the Currency (OCC) or a similar state banking regulator.
- CITs also must meet requirements set forth by the IRS to qualify for U.S. tax exemption.

CITs are governed by a declaration of trust, as well as investment and operating guidelines. The trustee ensures that the CIT is managed to adhere to regulatory requirements.

ADVANTAGES OF COLLECTIVE TRUSTS

CITs offer several benefits over other investment options that can make them well suited for qualified retirement plans. The increasing focus on plan fees and the demand for a broader range of investment choices are boosting the popularity of CITs in tax-qualified retirement plans.

Lower cost structure – CITs' overall operating expenses are generally lower than mutual funds because of the reduced filing, regulatory and administrative requirements. Marketing and distribution costs are also lower. Because of this, a CIT can generally be offered to plans at a lower fee compared to the strategy's mutual fund option.

Pricing flexibility – Operational efficiency also allows CITs to offer pricing based on a wider range of eligibility factors, including investment size, overall relationship size and asset aggregation across plans. The CIT will clearly outline the eligibility criteria for each share class.

Although CITs may offer pricing ranges based on specific criteria, investment objectives cannot be customized because they are pooled vehicles.

Investment strategy – CITs are able to offer a wide range of investment options, especially in the areas of guaranteed retirement income and private investments.



CITs are subject to many laws and regulations such as those administered by:

- State and federal bank regulatory agencies, such as the OCC
- The DOL
- The IRS

COMPARE CITS VS. MUTUAL FUNDS

Characteristic	Collective Investment Trusts	Mutual Funds
Vehicle Type	Pooled	Pooled
Valuation	Daily	Daily
Trade Settlement	National Securities Clearing Corp. (NSCC)	National Securities Clearing Corp. (NSCC)
Audit	Annual	Annual
Participant Performance Reports	Fact Sheets	Fact Sheets
Revenue Sharing	Optional	Optional
Availability	Only to eligible retirement plans*	Retirement and other institutional plans and the general public
Fees	Tend to be lower than mutual funds of a similar strategy due to a lower cost structure. Fee reductions may be available to larger accounts.	Tend to be higher than the CIT of a similar strategy due to a higher cost structure.
Investment Objective	Set by the investment strategy, the same for all investors	Set by the investment strategy, the same for all investors
Oversight and Regulation	Office of the Comptroller of the Currency (OCC) or a similar state banking regulator	Securities and Exchange Commission (SEC)
Registration Expenses	None	Required
Governing Documents	Fund Description Offering Memorandum Participation Agreement	Prospectus
Time to Market	30-60 days, possibly less	Up to 90 days

*Refer to the "Eligible for CITS" table in the "Getting Started With Collective Investment Trusts" section.

THINGS TO CONSIDER BEFORE INVESTING IN CITS

While today CITS have gained more visibility and have more evaluation tools for investors (databases, CUSIPs, daily values, fact sheets), they still have some disadvantages compared to mutual funds.

Documentation - Due to eligibility requirements, additional plan documentation and paperwork are required when investing in a CIT. The company and/or its advisor completes this paperwork, which does not impact individual participants.

Data availability - While transparency has been increasing, there is inherently less published visibility into CIT performance because CITS are not publicly available, with no public source of information.

However, database platforms like Morningstar and eVestment gather regular, consistent information on CITS that most institutional investors have access to. Participants can access CIT information and performance online and in print from the plan's recordkeeper, including daily values.



Portability- Since CITs can only be held by qualified retirement plans, participants cannot invest in the same CUSIP if they roll their assets out of the plan. However, most CIT strategies offered in a DC plan have a related mutual fund, allowing the participants to invest in the same or similar investment strategy outside of their plan.

GETTING STARTED WITH COLLECTIVE TRUSTS

As a plan sponsor, you and your intermediaries need to make an informed decision on whether a CIT is the right investment option for a plan.

Plan Eligibility

Here is a list to help determine if a plan is eligible to use a collective trust.

Typically Eligible for CITs	Ineligible for CITs
Certain qualified ERISA DC plans, including 401(k) plans and 401(a) plans	403(b) plans
Taft-Hartley plans	Endowments and foundations
Certain qualified ERISA DB plans	IRAs
Some non-ERISA government plans, including 457(b) plans	Taxable/discretionary investment accounts

Governing Documents

The plan should have a clear understanding of the trust documents that govern CITs and their purpose.

The plan will also need to execute the participation agreement and submit supporting documentation to determine eligibility.

Trust Documents

Sets out operational, legal and regulatory terms and conditions of the trust and the funds covered underneath them including eligibility, subscription and redemption terms and valuation.	
Fund Declaration and/or Offering Memorandum	Participation Agreement
Describes the individual CIT(s) covered under a Declaration of Trust or similar document and includes relevant information including: <ul style="list-style-type: none"> • Investment objective and strategy • Fees and class eligibility • Subadvisors (if any) 	Acknowledgement by the plan or plans of the CIT's eligibility requirements, fees and other investment policies.



LET US BE YOUR CIT RESOURCE

Our representatives are available to discuss CIT requirements, documents and help you determine whether CITs are right for your plan.

Call 1-800-345-6488.

DISCOVER CIT STRATEGIES AVAILABLE FOR YOUR PLAN

We manage several CIT strategies to offer flexibility to plan sponsors.

americancentury.com/cits

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This information is for educational purposes only and is not intended as a personalized recommendation or fiduciary advice. There are different options available for your retirement plan investments. You should consider all options before making a decision. Our representatives can help you evaluate all of our options.



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