Collective Investment Trust Overview

An efficient alternative to mutual funds for retirement plan advisors and their plan sponsors

What are Collective Investment Trusts (CITs)?
CITs are tax-exempt, pooled investment vehicles sponsored and maintained by a trustee bank or trust company. CITs combine assets from eligible investors into a single investment portfolio (or “fund”) for purposes of pursuing a set of stated investment objectives and strategies. The trustee of a CIT is responsible for managing and overseeing the investment of the fund’s assets as a fiduciary and in accordance with ERISA’s fiduciary responsibility provisions. CITs are restricted to use by certain tax-qualified investors consisting primarily of 401(k) and defined contribution plans. CITs are subject to regulation and oversight by banking regulators including, in the case of nationally chartered banking institutions, the Office of the Comptroller of the Currency (OCC).

Why Consider a Collective Investment Trust?

Expense Structure
CIT expenses are generally lower than mutual fund fees. CITs typically have lower administration and distribution costs as compared with mutual funds. CITs may also provide greater flexibility in designing fee structures to meet the varying needs of plan sponsors. Because CITs are exempt from the registration and governance requirements of the federal securities laws, they are able to avoid many of the expenses borne by mutual funds, such as SEC registration and maintenance of an independent board of directors. CITs also may offer fee classes that provide payments to plan service providers such as recordkeepers.

Tax Advantage
CITs are tax-exempt. As a result, the Trustee generally is able to make investment decisions without tax considerations.

What are the differences between Mutual Funds and Collective Investment Trusts?

<table>
<thead>
<tr>
<th></th>
<th>Collective Investment Trust</th>
<th>Mutual Fund</th>
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</thead>
<tbody>
<tr>
<td>Regulated by</td>
<td>OCC or State Regulator*</td>
<td>SEC</td>
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<tr>
<td>Fees</td>
<td>Greater flexibility and generally lower fees relative to comparable funds</td>
<td>Reflected in share class expense ratios and include costs associated with registration with the SEC</td>
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<td>Offering Documents</td>
<td>Declaration of Trust and Participation Agreement</td>
<td>Prospectus</td>
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<tr>
<td>Trustee or Board of Directors</td>
<td>Trustee: ERISA Fiduciary for investment decisions</td>
<td>Board of Directors: Responsible for overseeing fund services in compliance with federal securities laws</td>
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<tr>
<td>Availability</td>
<td>Limited to tax-qualified corporate retirement plans and certain state and local government plans; they are not available to IRAs or individual investors</td>
<td>General public</td>
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</table>

* Wilmington Trust, N.A. is nationally chartered and regulated by the OCC.
**Fiduciary Responsibilities**

CIT trustees are responsible as fiduciaries for managing the assets of the CIT. To assist in that function, a trustee may engage one or more investment advisers, often referred to as CIT sub-advisor(s). The CIT trustee also accepts a delegation of investment management responsibility from the sponsor of a participating plan. By appointing the CIT trustee as an ERISA 3(38) fiduciary, the plan sponsor is relieved from fiduciary responsibility for the day-to-day investment management decisions made on behalf of the CIT, and remains responsible only for prudently overseeing and monitoring the CIT and its trustee.

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**History of Collective Investment Trusts**

As the retirement plan industry has evolved, so has the structure of investment vehicles used in 401(k) plans. CITs have been available for decades (first launched in 1927) and were offered in very early 401(k) plans.

<table>
<thead>
<tr>
<th>First Collective Investment Trust</th>
<th>CITs restricted to DB plans</th>
<th>CITs gain widespread adoption in DB plans</th>
<th>CITs in DC plans – mainly stable value funds</th>
<th>NSCC trading on CITs</th>
<th>Uncommitted 401(k) funds go to QDIAs (TDFs)</th>
<th>CIT adoption in DC plans</th>
<th>2018—Total CIT assets, grew to more than $3T in 2017. Since 2011, total CIT assets have grown 63.7%*</th>
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<tbody>
<tr>
<td>1927</td>
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<td></td>
<td>Source: DST kasina with data from Department of Labor, Investment Company Institute</td>
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<td>1936</td>
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<td></td>
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<td>The cost advantages of CITs will continue to be the primary growth driver</td>
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<td>1950s</td>
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<td>2000—NSCC adds CITs to mutual fund trading platform</td>
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<td>1980s</td>
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<td>2006—Pension Protection Act triggers new DOL rules setting QDIAs as default investments</td>
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<td>2000</td>
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<td>2016—DOL release fiduciary rule resulting in fee pressure</td>
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<td>2018</td>
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<td>Current</td>
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</tbody>
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**KEY TERMS**

DOL: Department of Labor

ERISA: The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans.

NSCC: National Securities Clearing Corporation

OCC: Office of the Controller of the Currency.

QDIA: Qualified Default Investment Alternative


TDFs: Target Date Funds

*The Cerulli Report | U.S. Retirement Markets 2018

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The Wilmington Advantage:
A Powerful Combination of Strength and Expertise

Part of the M&T Corporate family, Wilmington Trust, N.A., has in-depth retirement industry experience and expertise and makes a broad range of CIT offerings available.

For more than a century, Wilmington Trust has been serving individual and institutional clients successfully. Offering a high standard of service, Wilmington Trust is widely recognized and has a team of professionals that bring a unique blend of knowledge, experience, and resources to every client relationship that we serve.

Wilmington Trust, N.A. is a leader in the collective investment trust market with over $40 billion in assets under administration across funds managed by more than 45 sub-advisors and available on more than 40 trading platforms.

For a full lineup of our CIT offerings, please copy the URL below into your browser.
https://www.wilmingtontrust.com/wtcom/index.jsp?section=Corp&fileid=1439840246307

Wilmington Trust, N.A. is a wholly-owned subsidiary of M&T Bank Corporation and provides trust administration services for retirement plans, companies, foundations, organizations, and financial institutions.

Wilmington Trust, N.A. is an ERISA fiduciary, and assists plan sponsors by offering a comprehensive investment program of managed collective funds.