GREAT GRAY
TRUST COMPANY

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). Many state chartered banking institutions follow the OCC regulations because the state regulations require it or as a matter of best practice and governance.

Why consider a collective investment trust?

Expense structure

CIT expenses are generally lower than mutual fund fees, which means they 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 some 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.

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What are the differences between mutual funds and collective investment trusts?

	Collective Investment Trust	Mutual Fund
Regulated by	OCC or state regulator	SEC
Fees	Greater flexibility and generally lower fees relative to comparable funds	Reflected in share class expense ratios including operational costs that can be higher for SEC-registered funds
Offering documents	Declaration of Trust and Participation Agreement	Prospectus
Trustee or Board of Directors	**Trustee:** ERISA fiduciary for investment decisions	**Board of Directors:** Responsible for overseeing fund services in compliance with federal securities laws
Availability	Limited to tax-qualified corporate retirement plans and certain state and local government plans; they are not available to IRAs or individual investors	General public

For use by financial professionals and plan sponsors only. Not to be used with plan participants.

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 advisors, often referred to as CIT subadvisor(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.

The Great Gray distinction:

Great Gray Trust Company is a leader in the collective investment trust market with over $129.6 billion in collective investment fund assets, across funds managed by 65+ sub-advisors, and maintains trading agreements with 39 platforms that access 200+ recordkeepers as of 3/31/2023.

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.

First collective investment trust	**1927**	
CITs restricted to DB plans	**1936**	Congress amends Internal Revenue Code
CITs gain widespread adoption in DB plans	**1950s**	Federal Reserve authorizes banks to pool funds from pensions, corporate profit-sharing plans, and stock bonus plans
CITs in DC plans—mainly stable value funds	**1980s**	Advent of 401(k) plans
NSCC trading on CITs	**2000**	NSCC adds CITs to mutual fund trading platform
Uncommitted 401(k) funds go to QDIAs (TDFs)	**2006**	Pension Protection Act triggers new DOL rules setting QDIAs as default investments
CIT adoption in DC plans	**2016**	DOL releases fiduciary rule resulting in fee pressure
CITs are listed on NASDAQ	**2019**	Great Gray's predecessor (Wilmington Trust) is the first to partner with NASDAQ to add ticker symbols to CITs
The cost advantages of CITs continue to be the primary growth driver	**2021**	Total CIT assets exceeded $3.78tn in 2019; since 2011, total CIT assets have grown over 290%*

DC: Defined-contribution | DB: Defined-benefit | DOL: Department of Labor | QDIA: Qualified Default Investment Alternative | NSCC: National Securities Clearing Commission

*Cerulli Associates, The Cerulli Report - US Defined Contribution Distribution 2022: Tailoring Solutions to the Consultant-Intermediated Fiduciary Landscape

Great Gray Trust Company, LLC Collective Investment Funds ("Great Gray Funds") are bank collective investment funds; they are not mutual funds. Great Gray Trust Company, LLC serves as the Trustee of the Great Gray Funds and maintains ultimate fiduciary authority over the management of, and investments made in, the Great Gray Funds. Great Gray Funds and their units are exempt from registration under the Investment Company Act of 1940 and the Securities Act of 1933, respectively. **Investments in the Great Gray Funds are not bank deposits or obligations of, and are not insured or guaranteed by Great Gray Trust Company, LLC, any other bank, the FDIC, the Federal Reserve, or any other governmental agency. The Great Gray Funds are commingled investment vehicles, and as such, the values of the underlying investments will rise and fall according to market activity; it is possible to lose money by investing in the Great Gray Funds.**

Participation in Collective Investment Trust Funds is limited primarily to qualified retirement plans and certain state or local government plans and is not available to IRAs, health and welfare plans and, in certain cases, Keogh (H.R. 10) plans. Collective Investment Trust Funds may be suitable investments for participants seeking to construct a well-diversified retirement savings program. Investors should consider the investment objectives, risks, charges and expenses of any pooled investment company carefully before investing. The Additional Fund Information and Principal Risk Definitions (PRD) contains this and other information about a Collective Investment Trust Fund and is available at www.wilmingtontrust.com/PrincipalRiskDefinitions or ask for a copy by contacting Great Gray Trust Company, LLC at (866) 427-6885.

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