SEI Global Asset Management Product Guide

Collective Investment Trust (CIT)

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A Collective Investment Trust ("CIT") is an investment vehicle similar to a US mutual fund but that is available only to qualified retirement plans, such as 401(k) plans and governmental plans. CITs are sponsored by bank or trust companies under the supervision of the Office of the Comptroller of the Currency ("OCC") or state banking regulators. CITs are institutional products sold only to plan sponsors and/or plan fiduciaries. CITs consist solely of assets of retirement, pension, profit sharing, stock bonus or other tax-qualified retirement accounts and governmental plans that are exempt from federal income tax.

CITs are excluded from the definition of a registered security and an investment company under various securities laws, but are subject to the Office of the Comptroller of the Currency (OCC) Regulation 12 CFR 9.18, state banking rules or both. If one or more employee benefit plans regulated by ERISA participate in CIT, the CIT is subject to ERISA's Plan Asset Rules.

For more information on CITs, see the SEI Knowledge Partnership's white paper, Getting ahead of the CIT Boom, and Reaching the US retirement market with a CIT webinar.

Investor Profile

- Only eligible retirement assets may be invested in a CIT.
- No limit to the number of investors.
- 401(k) and other retirement and employee benefit plans can invest in a CIT. Individual Retirement Accounts ("IRA"), non-qualified deferred compensation plans and 403(b) plans may not participate.

Regulatory Reporting Requirements

- Under Pennsylvania law, notice of the availability of the annual financial report, produced pursuant to the annual audit of the CIT, must be provided to investors and may be provided to prospective investors.
- The bank and the third party investment advisor must comply with ERISA if one or more employee benefit plans regulated by ERISA participate in CIT. Generally, ERISA prohibits an ERISA fiduciary (such as a bank trustee or a CIT's investment advisor) from making fiduciary decisions from which it might benefit or from engaging in certain transactions with parties in interest (e.g., certain entities that are related to the plan or provide services to the plan or its affiliates). A fiduciary must ensure that it does not violate section 406 of ERISA by causing the CIT to engage in a transaction that benefits the fiduciary, its affiliated parties, or any other party in interest unless the CIT qualifies for a prohibited transaction exemption.

Distribution, Advertising and Promotion

- CIT funds exempt from registration under section 3(c)(11) of the 1940 Act may not advertise through mass media, but can market the fund to plan sponsors and other plan fiduciaries. Also, a CIT may not advertise future performance and must comply with other restrictions of advertising.

Fund Operational Organization Structure

- **Written Plan:** A CIT is operated pursuant to a written plan detailing how the bank will operate the fund.
- **Management:** Fund management is the responsibility of the bank administering the CIT.
- **Governance:** There is no independent board requirement, although a bank's Board of Directors must manage or direct a CIT's administration. All final authority for the administration, operation and investment of the CIT is vested in the trustee (the bank or trust company).
- **Audits:** Annual audits must take place by independent auditors who are responsible only to the bank's Board of Directors.
- **Administration:** The bank may outsource administration (including but not limited to, investment advisory services) to a third party, subject to the requirement that the bank retains ultimate authority over the CIT.

Initial and Ongoing Costs

- Costs are generally considered low, relative to mutual funds.

Fees and Fee Limitations

- According to OCC Regulation 9.18, a reasonable fund management fee charged by a bank administering a CIT may not exceed "an amount commensurate with the value of legitimate services of tangible benefit to participating fiduciary accounts that would have been provided to the accounts." A bank may charge different management fees to different fund participants commensurate with the amount and types of services provided to fund participants.