



Collective Investment Trusts: The Basics and What Plan Sponsors Need to Know in 2026

If you’ve spent any time with a retirement plan committee, you already know this truth: most good fiduciary decisions aren’t flashy. They’re incremental, detail-oriented, and occasionally unglamorous. Collective investment trusts (CITs) fit squarely into that category.

CITs aren’t new. They’ve been around for decades. Yet for many plan sponsors, they still feel mysterious, or at least more complicated than they need to be. That’s unfortunate, because when used appropriately, CITs can be a powerful tool for improving participant outcomes without increasing fiduciary risk.

Let’s start with the basics.

What is a CIT, Really?

A CIT is a pooled investment vehicle maintained by a bank or trust company. Unlike mutual funds, CITs are not registered with the SEC under the Investment Company Act of 1940. Instead, they’re regulated by banking authorities and available only to qualified retirement plans (those that meet IRS and ERISA requirements). 403(b) plans currently do not allow them, although there is legislation in the works that could change that. Also, regulations prohibit CITs in private, tax-exempt 457(b) plans. And, even if legally permitted, CIT providers can elect not to offer CITs to certain retirement plans.

From a participant’s perspective, a CIT often looks and behaves like a mutual fund. It has a stated objective, a professional investment manager, daily valuation, and performance reporting. The key differences happen behind the scenes.



Why Plan Sponsors Use CITs

The most common reason sponsors consider CITs is cost. Because CITs don't carry the same regulatory, marketing, and distribution expenses as mutual funds, they can often be offered at lower expense ratios. In a world where every basis point still matters, that's not nothing.

But cost alone shouldn't drive the decision. Well-structured CITs can also offer:

- Greater fee transparency, especially in unbundled or advisory-priced arrangements;
- Customization, including white-label structures or custom target-date strategies; and
- Institutional pricing tiers that reward asset growth over time.

Importantly, none of these benefits are automatic. A poorly structured CIT is no better than a poorly chosen mutual fund. Fiduciary process still matters, and cheaper isn't always better when looking at performance.

The Trade-Offs

CITs are not perfect, and pretending otherwise is a fiduciary mistake. Because CITs are not SEC-registered, they don't produce a prospectus. Instead, sponsors and participants rely on a declaration of trust and fact sheets. This places more responsibility on committees to ensure disclosures are clear, accurate, and participant-friendly.

Liquidity can also differ. Most CITs are daily-valued and daily-liquid, but not all. The distinction matters, particularly as some strategies push into less traditional asset classes.

Performance between a CIT and its mutual-fund equivalent can differ due to a difference in portfolio holdings and cash flows. Plan sponsors should make sure to evaluate performance and portfolio differences before pursuing a CIT alternative.

Finally, CITs are generally not portable outside of qualified plans. That's rarely an issue for core menu options, but it's something sponsors should understand before defaulting participants into a structure they can't take with them.

What's Different About CITs in 2026?

If the last few years have taught us anything, it's that retirement plans don't stand still. In 2026, several trends are shaping how sponsors should think about CITs:

First, customization is becoming mainstream. Custom target-date CITs, once limited to mega-plans, are increasingly accessible to mid-sized sponsors. That raises the fiduciary bar. Custom solutions require custom oversight.



Second, regulatory scrutiny hasn't gone away. It's just shifted. While CITs remain a permitted and well-established vehicle, committees should expect continued focus on fee reasonableness, benchmarking, and documentation. A lower cost only helps if it's demonstrably prudent.

Third, participant communication matters more than ever. As plan menus incorporate more white-label and collective options, sponsors must ensure participants understand what they own. Confusion can erode trust.

Finally, innovation is creeping in. Some CIT structures are being used to explore new asset classes or lifetime income components. That doesn't make them outright inappropriate, but it does mean committees need to slow down, ask better questions, and resist the urge to adopt complexity for its own sake.

The Bottom Line

CITs are not a silver bullet. They are a tool that can be used well or poorly.

For plan sponsors willing to do due diligence, they can reduce costs, improve flexibility, and support better long-term outcomes for participants. For sponsors looking for shortcuts, they can introduce risk and confusion just as easily as any other investment vehicle.

As always, the fiduciary standard doesn't ask whether something is popular or innovative. It asks whether it's prudent, well-documented, and in the best interest of participants. CITs can meet that standard in 2026, but only if sponsors remember that structure never replaces judgment.

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