

News

# CITs Have Different Fiduciary Implications Than Mutual Funds

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Principal [Tom Roberts](#) was quoted in a recent *PLANADVISER* article, “CITs Have Different Fiduciary Implications Than Mutual Funds,” which covered his session at Wilmington Trust’s Collective Investment Trusts and Good Governance Considerations webinar on March 17, 2022, and provided insight on crucial considerations for using collective investment trusts in defined contribution plans.

*PLANADVISER* reported that during the webinar Roberts explained that plan fiduciaries must consider the governance implications for the plan before using a CIT. Often overlooked when considering a CIT is whether the trustee is actively and prudently overseeing the management of funds. That is one of several common mistakes plans make with CITs, Roberts explained.

“It is not an uncommon mistake for members of the 401(k) community to look at CIT providers as nothing more than asset custodians, and nothing could be further from the truth,” he said. “A CIT product and the duties of a CIT trustee are far more extensive. Trustees are asset managers.”

Plan sponsors and advisers need to consider governance because this is a value-add for the plan and not all trustees operate in the same way, Roberts said, according to *PLANADVISER*. “In governance, how a CIT provider goes about doing its job matters, and it should matter to plan participants, it should matter to advisers, and it should matter to plan sponsors.”

*PLANADVISER* went to note that governance is important because the CIT trustee is a service provider to an ERISA plan sponsor or adviser, and the plan’s fiduciaries must continuously assess whether the plan is getting good value for the fees that are being paid. “You would ask those questions of most any service provider and they deserve to be asked of CIT providers as well,” Roberts added. “But second, a trustee is a special kind of service provider. It is a fiduciary, and a special kind of fiduciary—it’s a 3(38) investment manager.”

To read the article, [click here](#).