Innovation in DC Marketplace: CIT Vehicles

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RM - Definition of CIT, benefits, differently regulated, lower cost. Bank-maintained vehicle.

Lew M.

DC plans only 40 years old, history, Fidelity and daily valuation

Pension Protection Act 2006, more outcome-oriented approach

Greater adoption of DC, institutionalization of DC

QDIA as default investment choice

Regulatory environment

Secure Act - nudges toward lifetime income, pooled employer programs

Synching of 403(b) plans with rest of market

Diane -

Deregulation of higher ed market — need to get ready

Non-daily valued CITs years ago

Over 78% of plan sponsors using CITs

Use of mutual funds have declined by about 10%

Litigation all about the fees

Movement away from record keeper TDFs

56% of plan sponsors offer TDF do so via CIT

Lower fees are incentive to keep assets in plan (scale)

Consultant share classes

Lew - litigation environment

Every large plan trying to move away from revenue sharing

Most large plans expect to get sued at some point

Availability of a lower-priced vehicle, CIT, a key consideration

Plans being sued for using Vanguard mutual fund CIT, CIT availability.

DI - active vs. passive TDFs

Clean slate review every couple years

RM - SEI history with CITs, stable value funds

$10B to $200B in CITs over last 15 years (160 managers)

CITs very flexible

Looking at CIT vehicle for other solutions, alternatives, etc.

DI - SMA another vehicle, but work on getting daily value, plans don’t like more work

What if analysis - 403(b) opening to CITs

RM - CIT structure - SEI as 338 trustee, added layer of fiduciary protection

Manager can focus just on investment piece.

Variety of share classes, shouldn’t stop evolving

DI - Plans sponsors no longer wary about being initial seen investor

Price incentive to move to CIT

Don’t use temporary fee waiver

Lack of track record for CIT an issue? Use composite track record

Lew - 95% of DC assets in 5-10 years in white label, advisor-managed account or some other pooled option

DI - timing of onboarding, manager checklist helpful

Issue of CIT use for Puerto Rican plans

RM - Incorporation of alternatives in CITs, question of valuation, use of hedge vehicle

Use of non-daily priced vehicles, valued monthly and quarterly, OK for DB plans

Tickers for advisor-sold plans.

Fund-of-one for sponsors with specific requirements, affordability.

Do ticker symbols still matter to plan sponsors?

DI - Very few participants that pay attention, very small minority.

Gross vs. net fees

Mercer reference portfolio (Diane slide)

Retiree-focused investment options

ESG options

RM - Aggregator marketplace - need to play ball on fees, but there are assets there

LM - Increasingly, will need ESG integration to make the cut