GREAT GRAY
TRUST COMPANY

PRIMER

Investment Vehicles for Retirement Plan Sponsors

Great Gray Trust Company, LLC — Trustee

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See Important Disclosure Information on Page 5.

INTRODUCTION

Choosing the right investment vehicles is pivotal for the success of any 401(k) plan. This primer offers a clear, concise understanding of the distinct types of investment options available for your plan lineup, helping you make informed decisions to better serve your participants.

1

Mutual Funds

Mutual funds pool money from many investors to purchase a diversified portfolio of stocks, bonds, or other securities. Each shareholder participates proportionally in the gains or losses of the fund. Investors can include retail and institutional investors and can establish share classes with different distribution and shareholder servicing fees, but cannot customize any other fees.

BENEFITS
Diversification, professional management, and liquidity.

CONSIDERATIONS
Can have higher fees and may be less flexible.

2

Collective Investment Trusts (CITs)

CITs are funds that are exclusively available to qualified retirement plans like 401(k)s and are managed by banks and trust companies. They operate similarly to mutual funds and not marketed as widely.

BENEFITS
Lower fee structures compared to mutual funds, similar investment strategies, and potentially greater asset growth over time due to cost savings and proclivity of retirement plan investors to invest automatically with each payroll.

CONSIDERATIONS
Historically, plan participants requested CIT data through intermediaries, causing misconceptions about transparency. However, trustees like Great Gray have addressed this with tickers and Morningstar fact sheets, offering performance visibility similar to mutual funds. Additionally, the 2010 DOL rule mandated standardized investment, fee, and performance disclosures for plan participants.

3

Separately Managed Accounts (SMAs)

SMAs are personalized investment portfolios managed by professional asset managers, tailored to the specific needs and objectives of an investor or plan fiduciary. Unlike mutual funds, SMAs allow direct ownership of stocks/bonds in the account, offering a higher degree of customization.

BENEFITS
Offers customization to align with specific tax circumstances or investment preferences, direct ownership of securities, and potential tax management advantages through strategies like tax-loss harvesting.

CONSIDERATIONS
Generally, requires a higher minimum investment than CITs or mutual funds, and the fees can vary widely depending on the asset manager and the level of service provided.

COMPARATIVE SUMMARY

	Mutual Funds	CITs	SMAs
FEES	Can Be Higher For SEC-Registered Funds	More Flexibility & Generally Lower Relative to Mutual Funds	Varies Widely: Generally Higher fees relative to pooled vehicles
OVERSIGHT	SEC	OCC or State Bank/Trust Co Regulator, DOL, and IRS	SEC/State, DOL, CFTC and NFA
MINIMUMS	Low/No	Low/No	Higher
MANAGEMENT STYLE	Active/Passive	Active/Passive	Less Active
TRANSPARENCY	High	High*	Very High
DISCLOSURES	Prospectus, Statement of Additional Information, Subscription or similar purchase documents	Declaration of Trust, Fund Declaration/Description, Subscription or Participation Agreement	Investment Management Ageement, Custodial Documents

*Note: Extent of transparency varies by trustee and the DOL minimum disclosure requirements. CITs often have moderate transparency compared to mutual funds, primarily because they are not required to disclose any information publicly - all disclosed information is self-reported to plans and participants and, to vary degrees, to data analyzers (like Morningstar). Great Gray Trust CITs have comparable visibility to other vehicles. Transparency may be lower for other trustee-provided CITs.

LEGEND

FEES
Reflects the general cost associated with managing and operating the investment vehicle. This cost is borne by the investor.

OVERSIGHT
Indicates the regulatory body or institution that provides governance and compliance oversight.

MINIMUMS
Refers to the minimum investment required to participate in the vehicle.

MANAGEMENT STYLE
Indicates whether the vehicle is actively managed (managers making specific investment decisions) or passively managed (typically following an index).

TRANSPARENCY
Reflects the level of visibility investors have into the holdings and operations of the investment.

DISCLOSURES
Types of documents that must be provided to investors and plan fiduciaries, which include detailed information about investment.

INVESTMENT VEHICLE LIFECYCLE

	Mutual Funds	CITs	SMAs
ELIGIBILITY 1	Generally no restrictions, though some share classes have minimums.	ERISA-qualified Retirement Plans // Limited to tax-qualified corporate retirement plans and certain state and local government plans; they are not available to IRAs or individual investors.	Any individual, though usually larger institutional accounts.
INVESTMENT 2	Pools money (cash) from many investors and invests it in securities, such as stocks, bonds, or other assets.	CITs co-mingle assets from eligible retirement plans into one investment portfolio with a specific strategy.	Invests money from a single investor in securities and cash; usually requires high minimum.
MANAGEMENT 3	Board of Directors responsible for overseeing fund in a fiduciary capacity and appointing the Portfolio Manager which manages the investments per the fund's stated investment strategy.	CITs are sponsored and administered by a bank or trust company that also acts as the trustee. Trustee may engage an asset manager to assist in managing CIT with ultimate fiduciary responsibility for CIT management.	Asset Management Firm on behalf of the investor or plan.
TAX HANDLING 4	Mutual funds must annually declare and distribute all net gains and income to shareholders on a pro rata basis. Shareholders also report short- and long-term gains or losses when selling their shares (IRS Forms 1099-DIV and 1099-B).	CITs are tax-exempt. As a result, the trustee generally is able to make investment decisions without tax considerations.	Depends on attributes and tax status of client.
VALUATION 5	Net asset value (NAV) per share, which is calculated once a day at the close of investment markets.	CITs are not designed for frequent trading due to potential notice periods and therefore offer less frequent valuations. NAV typically occurs on a daily, weekly, or monthly basis as specified by the trust's policies. Great Gray CITs are primarily valued daily.	Instead of an NAV, the value of an SMA reflects the combined market value of the securities it holds. Valuation depends on client's needs and custodian's services, but often daily.
REDEMPTION 6	Mutual funds must price out investor at next calculated NAV and pay within 7 days. They can impose redemption fees to discourage frequent trading.	Redemptions are usually settled at the net asset value (NAV) on the valuation date set by the notice period. Great Gray CITs generally allow daily NAV redemptions but may require advance notice for large transactions and can use transition accounts to protect remaining investors.	Executed by selling the securities held within the SMA. Investors and plan fiduciaries receives market value of their investments, minus any applicable fees or penalties.

CONCLUSION

Understanding these investment vehicles will empower you to tailor your retirement plan to meet the diverse needs of your participants efficiently. While each option has its merits, Collective Investment Trusts (CITs) often stand out due to their lower cost structure and similar strategic capabilities to mutual funds, making them an attractive option for cost-conscious plan sponsors and fiduciaries.

Take Action

Consider reviewing your current plan lineup alongside your retirement plan advisor. These insights will help optimize your investment offerings and potentially enhance your plan's performance and participant satisfaction. It is best to stay in touch with the latest trends in adoption and try to understand how your plan lineup should evolve over time.

A Note on CITs

CITs are more than just an investment vehicle. They represent a forward-thinking approach to retirement planning. These tax-exempt, pooled investment vehicles are offered to employer-sponsored retirement plans, like 401(K)s. CITs are comparable to mutual funds, but, because they are tailored for the institutional retirement market, they can offer distinct advantages, including efficient administration and cost-effectiveness. CITs have a history dating back over 90 years; but they have gained favor over the past decade, driven by innovations, and Great Gray has been at the forefront.

Disclaimer: The comparisons are broad generalizations that, in our opinion, reflect some of the key factors that an investor would want to consider when considering these investment vehicles. This is not an exhaustive comparison of all similarities and differences, nor does it consider all potential investment vehicles/options. The comparisons should not be relied upon as legal, tax or investment advice.

WHY GREAT GRAY TRUST COMPANY?

At Great Gray we believe in - and are driven by - growth. Continually expanding and transforming retirement solutions with a mindset that reaches far beyond the status quo, starting with CITs. Bringing new efficiencies, new possibilities and new objectives to our clients. And to their clients.
Always listening, learning, innovating on top of a long-standing reputation for fiduciary strength and expertise.
Creating what's next - for CITs and beyond - from a critical foundation of discipline and trust.
Empowering our industry, clients, and ourselves to grow confidently.

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 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 plan fiduciaries seeking to construct a well-diversified retirement savings program. Investors should consider the investment objectives, risks, charges, and expenses of any pooled investment fund 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.greatgray.com/principalriskdefinitions or ask for a free copy by contacting Great Gray Trust Company, LLC at (866) 427-6885.

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