

CITs: Private Credit's Pathway into 401(k) Plans

By Kerry Pechter Tue, Mar 31, 2026

'Everybody—all the asset managers—are trying to pick CIT [collective investment trust] dance partners so that they can have product in 401(k) plans,' said Chris Randall at SEI Trust Company. CITs—less regulated, cheaper, and more easily-customized than mutual funds—now house 42% of 401(k) investments.



Asset managers who originate and bundle “private credit” and other alternative assets are eager to put more of their products on the investment menus of 401(k) plans, a \$9 trillion pool of retirement savings.

Since many look to managers of collective investment trusts (CITs) to shepherd them through the process, CIT trustees are consequently having a moment.



Christopher
Randall

“I’m drinking from a firehose,” Chris Randall, managing director for Retirement Services at SEI Trust Company, told *RIJ*. “Everybody—all the asset managers—are trying to pick CIT dance partners so that they can have product in the defined contribution market.”

Under U.S. pension law, the investments in 401(k) plans must be packaged in legal envelopes. SEC-regulated mutual funds are still the preferred packages. But CITs—less regulated, cheaper, and more easily-customized than mutual funds—now house 42% of 401(k) investments.

That makes CIT trustees the potential gatekeepers to defined contribution plans for private market asset managers. They can also serve as consultants, helping asset managers design their products to meet 401(k) regulatory requirements for liquidity and transparency.

Private credit and other alternatives have long been offered in the largest 401(k) plans. But, over the past decade, asset managers have assumed much of lending to high-risk, middle-market, they see the \$9 trillion in 401(k) plans as a potential major source of financing for entities that make and manage those loans.

Big asset managers like Apollo and BlackRock have heavily promoted private credit for 401(k) plans in white papers and webinars. They emphasize private credit's potential to increase yield and diversify risk when added in small doses to target-date strategies. They discount its alleged drawbacks—illiquidity and unsuitability for unsophisticated retail investors—as myths.

The Trump administration helped alternative asset managers last August with an executive order that encouraged their inclusion in retirement plans. Just this week, the Department of Labor [proposed](#) a new legal “safe harbor,” not unlike the 2019 safe harbor for annuities, that could calm plan sponsors' fear of exposing participants to new risks and inviting lawsuits.

But not everyone is a fan of private credit. The mass of plan sponsors and participants aren't demanding them. Big-megaphone news outlets, like the *Financial Times*, the *New York Times* and Bloomberg, and even a few asset managers, warn that private credit may be in a price “bubble” that makes their introduction to 401(k)s especially inauspicious. This week, Democratic lawmakers weighed in against alternatives for 401(k) plans.

Given the stakes and the attention that's converging on alternatives, asset managers need to get it right when pitching new investment options to 401(k) plan sponsors and their consultants. CIT trustees believe they're the best navigators.

“For private credit managers and other general partners within private markets, the CIT wrapper is the only vehicle that makes sense to gain access to this market,” Christopher Speer of FIS Reliance Trust told *RIJ*. Without a bank or trust company willing to take on the trustee role, these managers can't reach the DC market at scale.”

More customizable

CITs are defined as pooled-investment vehicles managed with a common investment strategy that are organized as trusts and maintained by a bank or trust company. CITs have nearly quadrupled their total DC assets, to \$3.8 trillion, in the last decade, according to Morningstar.

Mutual fund assets in DC plans grew 63%, to \$3.4 trillion from \$2.1 trillion over that span. Their market share dropped to 38% from 48%. CITs almost doubled their market share relative to mutual funds, to 42% from 23%.

According to "[The ABCs of CITs: A Foundational Guide](#)," from the Retirement Research Center at the Defined Contribution Institutional Investors Association, or DCIIA, "CITs allow investors to have access to certain types of assets that are difficult or impossible for mutual funds to hold. For example, a CIT has considerably more flexibility to invest in annuities and alternative investments (e.g. private real estate, private equity, private credit, and infrastructure). [Stable value funds](#) are not offered in mutual fund format and are only available through CITs or separate account vehicles."

"For private market assets in DC plans, the CIT is a better option than the mutual fund in many ways," SEI's Randall told *RIJ*. "One of the most important difference is the relative ease with which you can create different share classes.

"It allows you, within the bounds of ERISA, to differentiate between investors as long as you can demonstrate the efficacy of the services. We can launch a single CIT that buys one or more private market vehicles. Then you can establish multiple share classes to serve different market constituents."

Creating customized share classes that allow different segments of a participant population to pay different prices for the same underlying investment strategy is much faster and easier within a CIT wrapper than within a mutual fund, he said.

As long as the CIT trustee shows that a higher expense is justified—by the provision of more complex services, for instance—the differences in fees won't violate ERISA, America's main pension law. This flexibility is said to be one of the biggest reasons CITs have taken share from mutual funds in defined contribution plans.

Randall disagrees with accusations that private credit is in a bubble. He believes that the private credit pools are deep, with many opportunities for diversified portfolios. "When I look at the [loans in the vehicles managed by] the industry as a whole, the underlying credits are diverse. They're much broader and deeper than just A.I.," he told *RIJ*. The fund managers are aware of concentration risk."

'Look like a bond'

Private credit won't be entering 401(k) plans in undiluted, high-risk form. Target-date

solutions, where most participant contributions go and where alternative asset purveyors want to be, might allocate only about 5% of flows to private credit sleeves. "I would remind the plan sponsors that they're [private credit] not ending up as individual selections in an individual investment line-up. We're talking about allocations to managed accounts or TDFs," Randall said.

Instead of plan participants buying loans to high-risk companies, they would invest a small part of each paycheck's 401(k) deferral in structures that package risky loans and convert their cash flows into a bond-like investment. "Everything wants to 'look like a bond,'" said Conning consultants in a recent webinar, instead of like something new and unfamiliar.

These structures are types of special purpose vehicles. They're widely known by their acronyms. "A CIT can buy a tender fund, a BDC (Business Development Company), an IDF (Industrial Development Fund). "The structures are getting increasingly complicated increasingly quickly," Randall said. "All have different levels of liquidity and different gating procedures."

A CIT trustee can help choose a structure that meets many of the requirements—liquidity, daily valuations, low cost—that plan sponsors bear under [the Employee Retirement Income Security Act of 1974].

"As trustee we screen the underlying manager, take on ongoing oversight of valuation and liquidity governance, and coordinate all of the underlying complexities within these funds," Christopher Speer at FIS said. "With the DOL announcement all of that is of utmost importance when these folks are trying to gain access to these ERISA sponsors."

'The argument in favor of private credit'

Randall sees two major categories of private market purveyors: The big Wall Street firms who are relatively new to the 401(k) space and the asset managers with a long history as vendors (defined-contribution investment-only fund companies) to 401(k) plans.

"Traditional pure-play private-market folks, who are newer to the defined contribution marketplace, say, 'We're going to win the race for DC assets because nobody knows the credits better than we do.' Then there are investment companies with track record of providing funds to plans, who say, 'Given our long-term presence in this space, we know the DC distribution better than anyone. We know the customer.' It will be interesting how it shapes up," Randall said.

How much might plan participants benefit from a pinch of private credit in the target-date strategies or managed accounts where private credit purveyors want to be?

“The argument in favor of putting private credit in 401(k) plans is pretty simple. Your participants can gain access to a class of securities heretofore available only to large institutional investors, allowing them to improve their overall risk-adjusted returns,” Randall said.

Pension funds, university endowment funds, and other large pools managed by professional investors have long used alternatives to diversify risk and increase yield over long holding periods. But many plan participants don't have long holding periods. They change jobs and join new retirement plans, take hardship withdrawals, and borrow against their 401(k) balances.

Then there's the unknown factor of costs. For a plan sponsor, using CITs can be cheaper than using mutual funds. That's partly what drove the migration of CITs into 401(k) plans in the first place. On the other hand, there are many layers to the private credit packaging, which means more stakeholders and service providers to pay.

The private credit industry, in order to keep growing at a high rate, needs the permanent capital that 401(k) plan participants could provide. But Randall told RIJ that the “time to get to scale [in 401(k) plans could take a while.”

That is, if target-date strategies and managed accounts are only half of a plan's assets, if they allocate only five percent of their flows to private credit, and if too many private credit managers are competing for the same types of pools of savings, then turning 401(k)s into billion-dollar sources of “permanent capital” probably won't happen overnight.

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