

# The Retirement Fairness for Charities and Educational Institutions Act Levels the Playing Field for Savers at Non-Profit Organizations

The Retirement Fairness for Charities and Educational Institutions Act (H.R. 1013 | S. 424) will ensure workers with a 403(b) plan are empowered to maximize their retirement savings by allowing them to leverage the benefits of collective investment trusts (CITs), currently prohibited by securities laws.

## WHAT IS A 403(B) PLAN?

A type of retirement plan available to employees of certain **non-profit organizations** like public schools, universities, churches, and charities. Like a 401(k) plan, these plans allow employees to contribute a portion of their salary on a tax-advantaged basis to a 403(b) plan for their retirement

## WHAT ARE CITs AND HOW DO THEY HELP SAVERS MAXIMIZE THEIR RETIREMENT SAVINGS?

- A collective investment trust (CIT) is a tax-exempt investment vehicle that **pools assets** from multiple investors and is maintained by a bank or trust company.
- They are **similar to mutual funds** or exchange-traded funds (ETFs) in that they allow investors to diversify their holdings across a range of securities, such as stocks and bonds.
- CITs are regulated by the Office of the Comptroller of the Currency (OCC) and have fees up to **53% lower than mutual funds**—savings that directly benefit participants. A Vanguard 2025 study found that allowing 403(b) plans to invest in CITs could save the average worker up to **\$28,000** in retirement—enough to cover **six months** of expenses—by reducing fees just 0.08% per year.

## THE PROBLEM

- ❌ Under current securities laws, **403(b) plan sponsors cannot use CITs** as an investment option in their plans, unlike 401(k) plan sponsors.
- ❌ The regulatory distinction between 403(b) and 401(k) plans **needlessly restricts investment choices and increases costs** for public school teachers, charity workers, and other non-profit employees.
- ❌ SECURE 2.0 provided parity in the Tax Code, and now parity needs to be extended to the **securities laws**.

## THE SOLUTION

- ✅ **Modernizes the securities laws** by providing parity between 403(b) and 401(k) plans.
- ✅ **Benefits non-profit workers** by reducing costs, improving diversification, and enhancing flexibility in asset selection, all while maintaining strong regulatory oversight and fiduciary safeguards.
- ✅ **Provides for strong and robust retirement plans** that will allow non-profits to attract and retain talent.

## WILL YOU SUPPORT THE RETIREMENT FAIRNESS FOR CHARITIES AND EDUCATIONAL INSTITUTIONS ACT?

The bill was reported out of the House Financial Services Committee in May 2025 with **overwhelming bipartisan support**, 43-8, and passed the full House last Congress. It is supported by the nation's largest non-profits including:



The American Retirement Association (ARA) is a non-profit education organization for retirement plan professionals. Our mission is to support policies that give every working American the ability to have a comfortable retirement.

## Myth vs. Fact

**Myth #1: This bill allows risky, unregulated financial products to be sold to unsuspecting teachers.**

**Fact:** The bill permits access to collective investment trusts (CITs) and certain insurance products already available in the 401(k) marketplace and in your Thrift Savings Plan (TSP)—vehicles that are institutionally managed and often have lower costs than mutual funds. These products are not “unregulated”; they are overseen under banking and insurance laws and can be subject to strong fiduciary oversight at the plan level.

CITs typically have fees up to [53% lower than mutual funds](#), and these cost savings are passed on to participants. This is why CITs recently [surpassed](#) mutual funds as the most popular defined contribution investment vehicle, reaching \$3.25 trillion in 2023 vs. mutual fund assets of \$3.1 trillion. A Vanguard 2025 study found that allowing 403(b) plans to invest in CITs could [save the average worker up to \\$28,000](#) in retirement—enough to cover six months of expenses—by reducing fees just 0.08% per year.

There is no compelling reason to deprive public-sector employees—especially educators and nonprofit workers—of the same access to these competitive options enjoyed by private-sector workers.

**Myth #2: Unregistered investment professionals will be allowed to sell these products with no oversight.**

**Fact:** While the bill exempts certain professionals from Securities and Exchange Commission (SEC) broker-dealer registration, they remain subject to state regulations, insurance laws, and fiduciary duties under ERISA (or equivalent state laws for non-ERISA plans). Fiduciaries must still act prudently and in the best interest of participants. This bill shifts—not eliminates—regulatory oversight.

**Myth #3: Removing SEC registration requirements means participants will lose all disclosures and protections.**

**Fact:** CITs and insurance products still require oversight and disclosures under applicable banking and insurance regimes. In practice, fiduciaries must still evaluate investment risks, costs, and performance. Moreover, many 403(b) plans sponsored by public schools, churches, or state and local governments are already not subject to SEC regulation. This bill does not alter this decades-old distinction.

**Myth #4: This bill would flood 403(b) plans with hedge fund-like investments.**

**Fact:** CITs are not hedge funds—they are pooled investments designed for retirement plans and are already widely used in 401(k)s and the TSP. They are governed by trust laws and are available only to institutional investors. Including them in 403(b)s simply brings parity with other retirement savings vehicles.

**Myth #5: Teachers and public-sector workers will be left to fend for themselves.**

**Fact:** Plan sponsors—typically school districts, nonprofits, or universities—retain full discretion over what products are offered based on local needs, participant demographics, and plan governance capabilities. The bill empowers these sponsors to select products that best serve their participants’ needs. Nothing in the bill mandates inclusion of unregistered products; it merely provides an optional tool to improve plan design.

**Myth #6: The bill is a deregulatory free-for-all that removes all accountability.**

**Fact:** This is a targeted modernization that aligns 403(b) plans with 401(k)s, where similar investment products are successfully used. Fiduciary standards remain in place, and enforcement mechanisms through the Department of Labor and state agencies are unaffected.

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