SEI Trust Company Quarterly Update Fourth Quarter 2025

LEGAL/REGULATORY UPDATE

In an effort to keep you updated on changing regulations, requirements and/or litigation that may affect our industry, we are providing you with a summary of recent legislation, legal decisions and/or regulatory guidance that may impact collective investment trusts ("CITs") and their service providers, such as banks and investment managers.

LEGISLATIVE UPDATE

403(b) Plan Legislation Fails to Cross the Finish Line Again in 2025

Legislation permitting 403(b) plans to incorporate CITs into their investment menu and line up has, for another successive year, failed to reach final resolution in Congress, despite having continued "broad bi-partisan support", as noted by most industry groups who are following the matter.

While the legislation made it through a House panel in 2025, it never found the internal Congressional support it needed in order to push the legislation to a successful conclusion before the end of 2025.[1] It continues to lack sponsors in Congress who will actively push for its implementation, and with a Congress that continues to be split on many of the marquee matters of the day, this CIT legislation, which should be a slam dunk, continues to flounder. This is despite having 10 large not for profit entities file a letter with Congress asking to have the legislation finalized for the benefit of their 403(b) plan participants. That letter was filed by the following entities: American Heart Association, Chorus America, Council on Foundations, Habitat for Humanity International, Independent Sector, Lutheran Services in America, Meals on Wheels America, National Council of Nonprofits, United Way Worldwide, and YMCA of the USA. In addition, the American Retirement Association also filed a letter dated December 4, 2025 stating its support for the legislation.[2] That letter noted to the applicable members of Congress "[c]urrently, outdated securities laws unfairly prohibit 403(b) plan participants from investing in CITs, despite their widespread use and success in 401(k) plans", and called for Congress to level the playing field with 401(k) plans by permitting CITs to be used by those plans in their investment menus and line ups.

Also, it appears that the legislation was not taken up in the Senate because Senator Scott (who heads the Senate banking Committee) wants to get legislation involving cryptocurrency completed first before the Committee turns to capital formation issues (which the 403b bill would be attached to). So, the failure to move the bill in the Senate was, more than anything else, a matter of conflicting priorities, but apparently

[1] "The House Financial Services Committee reported the measure to the House on Nov. 28, but the bill was one 20 incorporated into H.R. 3383, the Incentivizing New Ventures and Economic Strength Through Capital Formation Act of 2025 (the INVEST Act), which was introduced on Dec. 2, 2025. Section 202 of that measure calls for allowing 403(b)s to invest in CITs." See https://www.asppa-net.org/news/2025/12/nonprofits-join-call-for-cits-in-403bs/.

[2] https://araadvocacy.org/ara-submits-statement-of-support-for-the-invest-act-h-r-3383-sec-202-retirement-fairness-for-charities-and-educational-institutions/. According to the ARA letter, it is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of professionals serving America's private retirement system: the American Society of Pension Professionals and Actuaries (ASPPA), the National Association of Plan Advisors (NAPA), the National Tax-Deferred Savings Association (NTSA), the American Society of Enrolled Actuaries (ASEA), and the Plan Sponsor Council of America (PSCA).

not due to opposition in the Senate.

STC remains committed to continue to support the proposed CIT legislation and to monitor this matter for the benefit of its collective investment trusts and their advisers.

REGULTORY UPDATE

Advisory Opinion 2025-04A: Lifetime Income Options Confirmed as Qualified Default Investment Alternatives

In a relatively non-controversial stance, the US Department of Labor ("DOL") issued Advisory Opinion 2024-04A at the end of 2025, which confirmed that a managed account solution that included a lifetime income sleeve for the benefit of the participants could qualify as a qualified default investment alternative in a 401(k) plan.[3] The request was filed by AllianceBernstein ("AB") asking the DOL to confirm that it's Lifetime Income Strategy program that included a guaranteed lifetime withdrawal benefit (or "GLWB") that would provide a lifetime stream of payments in the event that a participant's account balance has been exhausted due to poor investment returns or a participant's longevity (or both).

A QDIA is an important part of a 401(k) plan's investment line up, as it provides a manner in which to invest participant contributions when there is no actual participant investment election, which happens most often for plans that have an automatic default feature. Investment by the plan sponsor of a participant contributions into a QDIA provides fiduciary protection for the plan's sponsor and/or plan's investment fiduciaries from the plan's participants.[4] The QDIA rules require that "participants on whose behalf the investment is made had the opportunity to direct the investment of the assets in their account, but did not, and that they are furnished a notice describing: the circumstances under which their assets may be invested in the QDIA, their right to direct the investment of their assets into any other plan investment alternatives, and the investment objectives, risk and return characteristics, and fees and expenses attendant to the QDIA. The regulation also prevents the imposition of restrictions, fees, or expenses on the participant's or beneficiary's transfer or withdrawal of funds from the QDIA in the first 90 days."[5]

In determining that a QDIA that includes a lifetime income piece, the DOL noted that their final regulation included a reference that an investment option with a lifetime income and/or the annuity does not fail to qualify as a QDIA because the approach taken in the regulation was intended to be "sufficiently flexible to accommodate future innovation and developments in retirement products. Regarding variable annuities and their associated rights, guarantees, and features, the Department stated: "Consistent with providing flexibility and encouraging innovation in the development and offering of retirement products, model portfolios or services, the Department intends that the definition of "qualified default investment alternative" be construed to include products and portfolios offered through variable annuity and similar contracts, as well as through common and collective trust funds or other pooled investment funds, where the qualified default investment alternative satisfies all of the conditions of the regulation. . . . [W]ith regard to such products and portfolios, it is the view of the Department that the availability of annuity purchase rights, death benefit guarantees, investment guarantees or other features common to variable annuity contracts will not themselves affect the status of a fund, product or portfolio as a qualified default investment alternative when the conditions of the regulation are satisfied."

Further, the DOL reflected that there are two nonexclusive safe harbors available under Employee Retirement Income Security Act of 1974, as amended ("ERISA") for fiduciaries selecting annuity providers for defined contribution plans. In 2008, the Department adopted a regulatory safe harbor for the selection of an annuity provider and contract for benefit distributions from defined contribution plans, codified at 29 CFR section 2550.404a-4. In 2019, Congress added a statutory safe harbor in a new paragraph (e) of

[3] Advisory Opinion 2025-041A available at https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/advisory-opinions/2025-04a

[4] Importantly a plan sponsor and/or plan investment fiduciaries are still subject to selecting a QDIA in a manner consistent with its fiduciary duties, including the duty of care and duty of prudence.

[5] See A.O. 2025-04A.

ERISA section 404 for fiduciaries selecting an annuity provider for a guaranteed retirement income contract for a defined contribution plan. Each safe harbor identifies appropriate considerations for the selecting fiduciaries to ensure they are meeting their obligations under ERISA section 404(a)(1)(B). Importantly for the DOL, in the LIS model, AB was an investment manager and had agreed to status as an ERISA 3(38) investment manager. After AB is appointed as the investment manager, however, AB is responsible for the prudent management of the defined contribution plan's assets and selection of the insurers. Assuming the defined contribution plan's named fiduciary appropriately discharges its selection and monitoring duties, according to the DOL, the plan's named fiduciary (either the plan sponsor or a plan investment fiduciary) it will not be liable for any acts or omissions of the investment manager, except for any potential co-fiduciary liability under ERISA section 405(a) (see also note regarding the *Wanek* case, noted below).

According to Groom Law Group, "[t]he AO is an important development for plan sponsors considering the addition of an in-plan lifetime income option. For the first time, it confirms that a QDIA can include a GLWB. Although many practitioners had reached the same conclusion, the lack of clear guidance from DOL left lingering concerns and contributed to an overall sense of regulatory uncertainty. The AO has now definitively resolved the issue and should provide considerable comfort to fiduciaries considering GLWB lifetime income investments."[6] The A.O. is valuable in marketing products with lifetime income options, like CITs, to plan sponsors going forward.

LEGAL UPDATE

The Value of Using a 3(38) Investment Manager for Plan Sponsors: Wanek v. Russell Investments Trust Co., No. 21-0961 (D. Nev. Sep. 25, 2025)

A federal judge approved a complaint against Russell Investments Group LLC for allegedly causing plan participants to lose more than $100 million by selecting for the plan in its proprietary target-date funds, while dismissing complaints against the plan sponsor, Caesars Holdings Inc. The ruling indicates that plan sponsors can mitigate their fiduciary liability by delegating investment authority to an ERISA 3(38) investment manager fiduciary. The case is an excellent example of how engaging with an entity that is a 3(38) investment manager provides a certain level of protection on behalf of internal plan fiduciaries (like the named fiduciary, the plan sponsor or other named committees), as long as the relevant plan fiduciaries exercise their discretion to hire and oversee the services of the 3(38) investment manager in line with their own fiduciaries duties to the plan. Interestingly, while the presiding judge found that Russell may have breached its fiduciary duty to the plan by including the proprietary target date funds in the plan's line up, the plan sponsor followed a prudent process in selecting Russell by reviewing 5 other managers before hiring Russell as a 3(38) investment manager for the plan and then following Rusell's investment decisions. *Wanek* is an excellent case to remind plan in house fiduciaries of both the benefit of hiring a 3(38) investment manager as well as the duty to monitor that remains following such an appointment.

[6] https://www.groom.com/resources/dol-issues-lifetime-income-guidance-for-default-investments/

capital—whether that's money, time, or talent—so they can better serve their clients and achieve their growth objectives. As of September 30, 2025, SEI manages, advises, or administers approximately $1.8 trillion in assets. For more information, visit www.seic.com.