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# Teachers and Nurses Deserve Access to the Same Investment Options as 401(k) Savers

Teachers, nurses, and millions of other public education and nonprofit workers are being denied the full range of retirement investment options that the private sector enjoys. In some cases, the exclusion can cost these workers in higher fees over time, lessening their ability to maximize their retirement savings.

Under current law, 403(b) plans, which are essentially 401(k)s for charities, school districts, and certain other tax-exempt organizations, are prohibited from holding collective investment trusts (CITs). These trusts are highly regulated, pooled investment vehicles intended for retirement plans and often provide cost savings over other investment structures. CITs are widely available in 401(k)s and have even been used in the Thrift Savings Plan—the retirement plan for Congress and federal employees.

Eliminating the disparity for 403(b)s is a cause being taken up by both chambers of Congress with bipartisan support. The Retirement Fairness for Charities and Educational Institutions Act of 2025, introduced in the upper chamber by Senators Katie Britt (R-AL), Raphael Warnock (D-GA), Bill Cassidy (R-LA), and Gary Peters (D-MI) and in the House by Representatives Frank Lucas (R-OK), Bill Foster (D-IL), Andy Barr (R-KY), and Josh Gottheimer (D-NJ), would permit 403(b) plans to hold CITs. This would finally give public education and nonprofit workers access to the same range of cost-efficient, regulated, and diversified investment options as private sector employees.

## Closing the Gap

The SECURE 2.0 Act of 2022 amended the Internal Revenue Code to create CIT parity on a tax level between 401(k) and 403(b) plans. However, it did not include the additional changes needed under federal securities laws to enable 403(b) plans to hold CITs.

In addition to amending securities law language to close that gap, the *Retirement Fairness* legislation preserves the strong regulatory oversight that CITs benefit from.[1] It also helps ensure that a fiduciary is responsible for the selection and oversight of any CIT made available in a 403(b) plan, just like with 401(k)s.

## Broad Support

A wide array of industry and policy experts have supported the ability of 403(b)s to offer CITs, as have the American Heart Association, Habitat for Humanity, United Way, and other large nonprofit organizations. CalSTRS, the public pension giant that additionally administers 403(b) plans for California's public school educators, has also publicly backed CIT inclusion in 403(b)s. These groups know that CITs can provide administrative advantages and customized solutions to plan sponsors and give plan participants access to some of the most in-demand investment strategies.

## Practical Benefits

Consider target date retirement strategies, for instance. Often the default option for 401(k)s, 403(b)s, and other defined contribution plans, these highly popular and diversified strategies allow individuals to take a largely hands-off approach to retirement investing as they gradually rebalance toward more conservative investments leading up to and beyond their target retirement date.

A growing number of 401(k) plan sponsors are offering target date strategies as CITs in their investment lineups, buoyed by the fact that CITs have relatively low administrative costs, allow plan sponsors to negotiate fees, and can be tailored to meet plan needs. But 403(b) plan sponsors and participants have been boxed out of these potential benefits.

## The Bottom Line

Public education and nonprofit workers deserve access to the same broad range of cost-efficient and diversified investment options available to 401(k) savers. By passing the bipartisan *Retirement Fairness* legislation, Congress can eliminate inequality in retirement plans and level the playing field for 403(b) plan participants.

**Note**

1 CITs benefit from regulatory oversight provided by the Office of the Comptroller of the Currency or other federal or state banking regulators, the Internal Revenue Service, and the Department of Labor.

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