

The 3Y or 5Y OCIO Check-up (Fees Checked Every Year!)



Here's why ... Your needs change and the composition of most Investment Committees typically change over a 5-year period as well. The coverage and (more critically) the investment decision makers at your OCIO can change as well, all too regularly. (Fees should be reviewed and evaluated every year even without an RFP, simply because of a Fiduciary's Duty of Care.)

If investment performance has been good (acceptable) and interactions with your coverage have been timely and beneficial, an RFI would seem entirely appropriate. You have a good relationship already and you simply want to validate that you are achieving the best results that your organization can achieve.

The RFI is composed of your own brief set of questions. The answers you obtain should inform you as to your next steps. You essentially validate whether the OCIO is helping you fulfill your mission or not. If you determine that the current OCIO arrangement is not optimal, then it may well be time to undertake a formal and comprehensive RFP process to replace the existing OCIO.

A Sample of 3 Key points to focus upon with a 5-year check-up:

- 1) RETURNS – Your returns versus peers and versus the market benchmark(s). If there is underperformance, try to establish the root causes: asset allocation, re-balancing discipline, portfolio concentrations, overreliance on specific factors, etc. It is important to understand the “why” of what is not working properly for you.
- 2) RISK PROFILE – Many providers continue to provide a crude (simplistic?) analysis of the portfolio's risk profile. You deserve detailed graphs and tables (they should be presented in an intuitive fashion) since the analytical programs and tools are so readily available in the industry.
- 3) COMPARISON TO PEERS – Your OCIO should provide you with insight as what is changing and what seems beneficial amongst your peers in the market space. You may learn of innovative approaches as to all aspects of investing, analysis, reporting, training staff, etc. There are often steps that can be taken to achieve greater efficiency and transparency that are simply operational and not proprietary in nature. These shared insights can improve your own efforts and organization. The OCIO can share these types of insights.

Want to learn more? Please contact Chris Cutler, Tom Donahoe or Safia Mehta at 917 287 9551.