

The 7 Steps to Selecting an OCIO



We have led OCIO searches and selected providers as well as analyzed many additional completed OCIO searches. We've distilled the process down to 7 key steps. They are as follows:

CATALYST – There are typically specific concerns that trigger a search: performance, portfolio concentration, liquidity, poor service, and/or fees. Survey participants often tick the box as “fees.” While often true, we believe that “fees” may often be a stalking horse that provides cover for other motivating rationales.

AWARENESS – The Investment Committee or Board needs to educate themselves as to what's available in the market. This takes time and direct interaction between providers and Board/IC. Internal staff is often understaffed and is not able to distill the information on a timely basis. (Surveys show internal investment staff to be 0.5 FTE or less.) Moreover, staff members may wear multiple hats and investing oversight may be hampered by manual processes.

GOAL(S) – Investment Committee members should agree on a clear articulation of the organization's goals. If this is left vague or allows late-entrants into the bidding process, it will reduce the efficiency and transparency of decision making.

IDENTIFYING ELIGIBLE OCIO PROVIDERS – This requires someone with industry expertise, time in markets, and understanding of client's needs and goals.

REQUEST FOR INFO – This should precede a formal RFP. It is a list of 5 to 7 key questions that are submitted to a larger, potential universe of OCIO providers. This enables you to surface issues (conflicts) early, review each submission on a conference call with the provider (and get a feel for working with that team.) You then go out with a formal RFP to a distilled subset of your RFI respondents.

INTERVIEW – This is essentially a semi-finalist stage. Then, there should be an on-site visit at the provider's place of business once you are down to the finalists.

DECISION – Always have a first choice and a back-up, in case the first choice does not result in a final agreement. Entire search process is typically 3-4 months.

Want to learn more? Please contact Chris Cutler or Tom Donahoe.