

Regrets of Investment Committees Upon Completing an OCIO Search



“We Looked at Too Many OCIO Providers” – The Endowment had \$500 mm AUM and requested an RFP from 16 different firms. When they received back only 12 of the RFP’s, “it should have alerted us that we were not focused.” The Investment Committee Chair admitted later, they should have memorialized their investment priorities and spent more time filtering the available OCIO universe at the outset.

“We Included a Courtesy RFP for Our Local Bank” - This was embarrassing. Our bank knew us and scored high on their RFP back to us. In fact, they qualified as a finalist. When an IC member pointed out that their own \$150 mm portfolio would double the bank’s AUM, the over concentration would be untenable. We had to explain, that after all the bank’s efforts, we could not even consider them. (An RFP typically requires 20 – 40 hours work to complete, with review by the OCIO’s internal compliance.)

IC Chair Did Not Recuse Himself from Review of an Insider Firm – While most IC members determined that they were comfortable with the process, the optics were poor. The IC Chair had insisted that a specific OCIO be included. The same OCIO managed the IC Chair’s own “friends and family” assets of \$100 mm. The IC Chair actively participated in all discussions and voting. Moreover, the recommendation was written on his personal stationery and all communications were via his personnel email. There were no meeting minutes kept of the in-person review meetings with the OCIO candidate firms. There were additional indicia, but the reader can understand the concern by some IC members as to the appearance of a conflict.

OCIO Coverage Team Changed Within Months of the OCIO Hiring – The Investment Committee was severely disappointed when the “A” team moved from their account after 4 months. The college thought that they were continuing with the same team that had been so impressive in the bidding process but did not insert any provisions into the OCIO contract to ensure continuity of coverage.

Asset Transition Plan Was Not Detailed Nor Finalized – The incoming OCIO was charged with selling the assets. They sold them in timely fashion and then waited. After several weeks, the Investment Committee contacted them to receive an update as to the re-investment process. They were informed, things were fine. The OCIO had re-invested 15% of the portfolio and would ladder in over the next 5 to 6 months. Only then did the Foundation learn that the OCIO had an internal policy to “average into the market.” The OCIO said “not to worry” since there were no management fees incurred for monies while they remained “undeployed.”

Moral – If this is the first time that your Investment Committee is considering an OCIO, it’s critical that the planning be detailed and comprehensive. There are so many ways that value can be lost, or opportunities missed. Moreover, there are fiduciary concerns and conflicts of interest issues that may need specific focus at the outset.

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